

**BRD – Groupe Société Générale S.A.**

**INTERIM FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**  
**for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)			
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
<b>ASSETS</b>					
Cash in hand	4,32	1,673,269	2,236,045	1,673,263	2,236,018
Due from Central Bank	5	4,739,332	3,785,491	4,739,332	3,785,491
Due from banks	6	3,392,624	3,316,344	3,375,153	3,297,915
Derivatives and other financial instruments held for trading	7	2,800,986	2,252,463	2,801,051	2,252,519
Loans and advances to customers	8	29,761,832	29,603,276	29,001,949	28,893,343
Finance lease receivables	9	877,284	761,012	-	-
Financial assets at fair value through profit and loss	10	99,494	82,476	79,301	62,598
Financial assets at fair value through other comprehensive income	11	11,381,244	12,059,561	11,381,244	12,059,561
Investments in associates and subsidiaries		76,346	84,919	129,577	129,577
Property, plant and equipment	12	1,222,705	801,782	1,201,726	794,585
Investment property	12	18,343	19,071	18,343	19,071
Goodwill	13	50,130	50,130	50,130	50,130
Intangible assets	14	161,848	142,818	158,552	140,592
Current tax assets	19	-	10,312	-	10,312
Deferred tax asset	19	85,531	113,480	80,132	107,392
Other assets	15	330,375	327,898	238,090	221,233
Non-current assets held for sale		72,290	72,290	29,017	29,017
<b>Total assets</b>		<b>56,743,633</b>	<b>55,719,369</b>	<b>54,956,860</b>	<b>54,089,354</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Due to banks	16	520,478	297,817	520,478	297,817
Due to customers	17	45,386,695	45,216,995	45,436,705	45,315,556
Borrowed funds	18	1,445,762	1,306,638	13,177	16,582
Derivatives and other financial instruments held for trading	7	565,924	341,061	565,924	341,061
Current tax liability	19	83,777	2,305	82,056	-
Other liabilities	20	1,321,085	897,126	1,227,025	790,929
<b>Total liabilities</b>		<b>49,323,721</b>	<b>48,061,942</b>	<b>47,845,365</b>	<b>46,761,945</b>
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		127,395	3,052	121,221	(3,122)
Retained earnings and capital reserves		4,732,087	5,092,159	4,474,652	4,814,909
Non-controlling interest		44,808	46,594	-	-
<b>Total equity</b>		<b>7,419,912</b>	<b>7,657,427</b>	<b>7,111,495</b>	<b>7,327,409</b>
<b>Total liabilities and equity</b>		<b>56,743,633</b>	<b>55,719,369</b>	<b>54,956,860</b>	<b>54,089,354</b>

The financial statements have been authorized by the Group's management on July 30, 2019 and are signed on the Group's behalf by:

\_\_\_\_\_  
Giovanni Luca Soma  
Chairman of the Board of  
Directors

\_\_\_\_\_  
François Bloch  
Chief Executive Officer

\_\_\_\_\_  
Stephane Fortin  
Chief Financial Officer

The accompanying notes are an integral part of this financial statements

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE PROFIT OR LOSS**  
**for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)		Unaudited (*)	
		Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest and similar income	22	1,143,825	1,012,668	1,070,047	946,092
Interest and similar expense	23	(99,081)	(75,176)	(86,769)	(67,516)
<b>Net interest income</b>		<b>1,044,744</b>	<b>937,492</b>	<b>983,278</b>	<b>878,576</b>
<b>Fees and commissions, net</b>	24	<b>386,681</b>	<b>379,273</b>	<b>367,955</b>	<b>361,572</b>
Gain on derivative, other financial instruments held for trading and foreign exchange	25	152,104	140,346	152,353	139,869
Gain from financial instruments at fair value through other comprehensive income		6,921	1	6,921	1
Gain from financial instruments at fair value through profit and loss		16,610	6,076	15,920	6,018
Income from associates		572	12,864	9,146	17,605
Other income	26	951	3,819	30,038	34,035
<b>Operating income</b>		<b>1,608,583</b>	<b>1,479,871</b>	<b>1,565,611</b>	<b>1,437,676</b>
Personnel expenses	28	(403,350)	(377,888)	(376,823)	(353,312)
Depreciation, amortisation and impairment on tangible and intangible assets	29	(112,153)	(66,450)	(108,534)	(64,957)
Contribution to Guarantee Scheme and Resolution Fund	27	(72,218)	(35,026)	(72,218)	(35,026)
Other operating expenses	30	(216,003)	(258,925)	(202,587)	(243,422)
<b>Total operating expenses</b>		<b>(803,724)</b>	<b>(738,289)</b>	<b>(760,161)</b>	<b>(696,717)</b>
<b>Net operating profit</b>		<b>804,859</b>	<b>741,582</b>	<b>805,450</b>	<b>740,959</b>
Cost of risk	31	144,317	154,384	153,787	159,501
<b>Profit before income tax</b>		<b>949,176</b>	<b>895,966</b>	<b>959,237</b>	<b>900,460</b>
Current tax expense	19	(158,144)	(143,040)	(153,137)	(138,476)
Deferred tax income/(expense)	19	(4,129)	3,629	(3,440)	4,735
<b>Total income tax</b>		<b>(162,273)</b>	<b>(139,411)</b>	<b>(156,577)</b>	<b>(133,741)</b>
<b>Profit for the period</b>		<b>786,903</b>	<b>756,555</b>	<b>802,660</b>	<b>766,719</b>
Profit attributable to equity holders of the parent		782,846	752,115	-	-
Profit attributable to non-controlling interests		4,057	4,440	-	-
<b>Basic earnings per share (in RON)</b>	37	<b>1.1233</b>	<b>1.0792</b>	<b>1.1518</b>	<b>1.1002</b>

The accompanying notes are an integral part of this financial statements

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
**for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

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	Group		Bank	
	Unaudited (*) June 30, 2019	Unaudited (*) June 30, 2018	June 30, 2019	June 30, 2018
<b>Profit for the period</b>	<b>786,903</b>	<b>756,555</b>	<b>802,660</b>	<b>766,719</b>
<b>Other comprehensive income</b>				
<b>Net comprehensive income that may be reclassified to profit and loss in subsequent periods</b>	<b>124,343</b>	<b>(235,729)</b>	<b>124,343</b>	<b>(237,153)</b>
Net gain/(loss) on financial assets at fair value through other comprehensive income	124,343	(237,153)	124,343	(237,153)
Reclassifications to profit and loss during the period	7,631	(1)	7,631	(1)
Revaluation differences	140,532	(281,958)	140,532	(281,958)
Income tax	(23,820)	44,806	(23,820)	44,806
	-			
Exchange differences from translation of foreign operations	-	1,424	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>124,343</b>	<b>(235,729)</b>	<b>124,343</b>	<b>(237,153)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>911,246</b>	<b>520,826</b>	<b>927,003</b>	<b>529,566</b>
Attributable to:				
Equity holders of the parent	907,189	516,386		-
Non-controlling interest	4,057	4,440		-

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

**Group Unaudited (\*)**

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Other reserves						
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Foreign currency translation reserve	Retained earnings and capital reserves		
<b>December 31, 2017</b>	2,515,622	66,027	(4,421)	4,696	4,733,415	53,412	7,368,751
<b>IFRS 9 Impact</b>	-	(17,626)	-	-	(79,645)	(7,031)	(104,301)
<b>Restated opening balance</b>	2,515,622	48,401	(4,421)	4,696	4,653,770	46,381	7,264,450
Total comprehensive income	-	(237,153)	-	1,424	752,115	4,440	520,826
Net Profit for the period	-	-	-	-	752,115	4,440	756,555
Other comprehensive income	-	(237,153)	-	1,424	-	-	(235,729)
Equity dividends	-	-	-	-	(1,142,919)	(7,187)	(1,150,106)
<b>June 30, 2018</b>	2,515,622	(188,752)	(4,421)	6,120	4,262,966	43,634	6,635,169

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Other reserves						
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Foreign currency translation reserve	Retained earnings and capital reserves		
<b>December 31, 2018</b>	2,515,622	(26,520)	23,398	6,174	5,092,159	46,594	7,657,426
Total comprehensive income	-	124,343	-	-	782,846	4,057	911,246
Net Profit for the period	-	-	-	-	782,846	4,057	786,903
Other comprehensive income	-	124,343	-	-	-	-	124,343
Equity dividends	-	-	-	-	(1,142,919)	(5,843)	(1,148,762)
<b>June 30, 2019</b>	2,515,622	97,823	23,398	6,174	4,732,087	44,808	7,419,912

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

**Bank**

	<u>Other reserves</u>			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan		
<b>December 31, 2017</b>	2,515,622	66,027	(4,420)	4,451,159	7,028,388
<b>IFRS 9 Impact</b>	-	(17,627)	-	(64,925)	(82,552)
<b>Restated opening balance</b>	2,515,622	48,400	(4,420)	4,386,233	6,945,835
Total comprehensive income	-	(237,153)	-	766,719	529,565
Net Profit for the period	-	-	-	766,719	766,719
Other comprehensive income	-	(237,153)	-	-	(237,153)
Equity dividends	-	-	-	(1,142,919)	(1,142,919)
<b>June 30, 2018</b>	<b>2,515,622</b>	<b>(188,753)</b>	<b>(4,420)</b>	<b>4,010,032</b>	<b>6,332,481</b>

	<u>Other reserves</u>			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan		
<b>December 31, 2018</b>	2,515,622	(26,521)	23,398	4,814,909	7,327,409
Total comprehensive income	-	124,343	-	802,660	927,003
Net Profit for the period	-	-	-	802,660	802,660
Other comprehensive income	-	124,343	-	-	124,343
Equity dividends	-	-	-	(1,142,919)	(1,142,919)
<b>June 30, 2019</b>	<b>2,515,622</b>	<b>97,822</b>	<b>23,398</b>	<b>4,474,652</b>	<b>7,111,495</b>

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS**  
**for the year ended June 30, 2019**  
*(Amounts in thousands RON)*

Note	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
<b>Cash flows from operating activities</b>				
Profit before tax	949,178	895,966	959,240	900,459
<i>Adjustments for non-cash items</i>				
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	29	112,153	66,450	108,534
New assets obtained through lease contracts		13,607	-	12,489
Loss from investment revaluation		8,573	3,318	-
Impairment adjustments and provisions	8.20	(12,272)	(31,145)	(25,530)
				(36,439)
<b>Profit adjusted for non cash items</b>	<b>1,071,239</b>	<b>934,589</b>	<b>1,054,733</b>	<b>928,975</b>
<b>Changes /re-classifications in operating assets and liabilities</b>				
Current account with NBR		(953,841)	1,247,764	(953,841)
Accounts and deposits with banks		(63,308)	(88,794)	(64,261)
Financial assets at fair value through profit and loss		(17,018)	16,651	(16,703)
Financial assets at fair value through other comprehensive income		802,660	108,073	802,660
Loans and advances to customers		(124,085)	(741,193)	(60,459)
Lease receivables		(116,291)	(28,780)	-
Other assets including trading		(537,114)	(393,869)	(551,727)
Due to banks		222,661	(434,245)	222,661
Due to customers		169,700	32,324	121,149
Other liabilities		194,299	356,933	221,497
<b>Total changes in operating assets and liabilities</b>		<b>(422,337)</b>	<b>74,864</b>	<b>(279,023)</b>
Income tax paid		(63,776)	(174,401)	(60,769)
<b>Cash flow from operating activities</b>		<b>585,126</b>	<b>835,051</b>	<b>714,941</b>
<b>Investing activities</b>				
Acquisition of tangible and intangible assets	12,14	(85,061)	(56,151)	(80,556)
Proceeds from sale of tangible and intangible assets		2,285	3,251	2,285
<b>Cash flow from investing activities</b>		<b>(82,776)</b>	<b>(52,900)</b>	<b>(78,271)</b>
<b>Financing activities</b>				
Proceeds from borrowings		15,723,480	241,336	15,257,629
Repayment of borrowings		(15,584,354)	(304,404)	(15,261,034)
Lease payments		(42,517)	-	(40,125)
Dividends paid		(1,148,762)	(1,150,106)	(1,142,919)
<b>Net cash from financing activities</b>		<b>(1,052,154)</b>	<b>(1,213,173)</b>	<b>(1,186,449)</b>
<b>Net movements in cash and cash equivalents</b>		<b>(549,804)</b>	<b>(431,021)</b>	<b>(549,781)</b>
<b>Cash and cash equivalents at beginning of the period</b>	32	<b>5,373,530</b>	<b>6,204,834</b>	<b>5,373,497</b>
				<b>6,204,801</b>

Cash flows for the 6 months period ended June 30, 2018 has been restated for IFRS9 financial assets reclassifications.

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest paid	97,200	80,494	85,101	73,043
Interest received	1,230,039	1,183,960	1,226,514	1,115,887
Dividends received	9,146	17,984	39,952	50,897

The amount of undrawn borrowing facilities that may be available for future operating activities is 710,265 (December 31, 2018: 699,585) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management.

The accompanying notes are an integral part of this financial statements

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

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**1. Corporate information**

BRD – Groupe Société Générale (the “Bank” or “BRD”) is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the “Group”) offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. as at June 30, 2019 (the “Parent” or “SG”).

The Bank has as at June 30, 2019 699 units throughout the country (December 31, 2018: 723).

The average number of active employees of the Group during first semester was 7,437 (2018: 7,489), and the number of active employees of the Group as of the period-end was 7,411 (December 31, 2018: 7,471).

The average number of active employees of the Bank during first semester was 6,843 (2018: 6,902), and the number of active employees of the Bank as of the period-end was 6,808 (December 31, 2018: 6,882).

The active employees are the full time employees (excluding maternity leave and long-term sick leave).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange (“BVB”) since January 15, 2001.

The shareholding structure of the Bank is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Societe Generale France	60.17%	60.17%
SIF Oltenia	4.09%	2.89%
Fondul de pensii administrat privat NN/NN pensii	3.41%	2.98%
SIF Transilvania	3.35%	3.35%
Fondul de pensii administrat privat AZT viitorul tau/Allianz PP	2.49%	1.10%
Fondul de pensii administrat privat Metropolitan Life	2.18%	1.85%
Legal entities	19.54%	23.51%
Individuals	4.77%	4.15%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

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## **2. Basis of preparation**

### **a) Basis of preparation**

The separate interim financial statements as at 30 June 2019 are of the Bank BRD – Groupe Société Générale. These are reviewed by Ernst & Young Assurance Services SRL in accordance with International Standards of Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The consolidated interim financial statements as at 30 June 2019 and 30 June 2018 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2018. In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010, as amended, BRD prepared consolidated and separate financial statements for the year ended December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

The consolidated interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders’ equity, the consolidated cash flow statement, and selected explanatory notes.

The separate interim financial statements includes the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the statement of changes in shareholders’ equity, the separate cash flow statement, and selected explanatory notes.

The consolidated and separate interim financial statements is presented in Romanian lei (“RON”), which is the Group’s and its subsidiaries’ functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate interim financial statements has been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, financial assets through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Bank’s management has made an assessment of the Bank’s ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

### **b) Basis for consolidation**

The consolidated interim financial statements comprise the financial statements of the credit institution and its subsidiaries as at June 30, 2019. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

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**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

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**2. Basis of preparation**

**b) Basis for consolidation (continued)**

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2018: 99.98%), BRD Finance IFN S.A (49% ownership, 2018: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2018: 99.98%). According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of comprehensive income, respectively.

The Bank is accounting the investments in subsidiaries and associates in the separate financial statements at cost less impairment adjustment.

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**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2019**  
*(Amounts in thousands RON)*

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**2. Basis of preparation (continued)**

**b) Basis for consolidation (continued)**

<b>Group</b>			
<b>Associates</b>	<b>Field of activity</b>	<b>Address</b>	<b>%</b>
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, floor 6, district 5, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%

<b>Bank</b>			
<b>Associates</b>	<b>Field of activity</b>	<b>Address</b>	<b>%</b>
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and fl	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, floor 6, district 5, Bucharest	49.00%
<b>Subsidiaries</b>			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, floor 12, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, floor 15, Bucharest	49.00%
BRD Asset Management SAISA	Fund administration	2 Doctor Staicovici Street, district 5, floor 5, Bucharest	99.98%

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**2. Basis of preparation (continued)**

**c) Changes in accounting policies and adoption of revised/amended IFRS**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2019. The impact of the application of these new and revised IFRSs has been reflected in the financial statements and was estimated as not being material, except disclosures already presented in the Notes.

• **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Bank is a lessee for land and buildings, IT hardware and vehicles and recorded as at January 1, 2019 a right of use / lease liability of 467 million for the Bank and 482 million at Group level (please see Note 12).

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

<b>Operating leasing commitments as at 31 December 2018</b>	<b>527,015</b>
Wighted average incremental borrowing rate as at 1 January 2019	1.739%
Discounted operating lease commitments at 1 January 2019	477,605
<i>Less:</i>	
Commitments relating to short term leases and low values	10,480
<b>Lease liabilities as at 1 January 2019</b>	<b>467,125</b>

The bank elected to apply the exception of ROU calculation for contracts under one year at the date of first time application and for leases of intangible assets.

• **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

• **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28.

• **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

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**2. Basis of preparation (continued)**

**c) Changes in accounting policies and adoption of revised/amended IFRS (continued)**

• **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

• The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs.

• **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

• **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

• **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

**d) Standards and Interpretations that are issued but have not yet come into effect**

Standards issued but not yet effective up to the date of issuance of the Group and Bank's consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group and Bank reasonably expects to be applicable at a future date. The Group and Bank intends to adopt those standards when they become effective. The Group and Bank is in progress of assessing the impact of the adoption of these standards, amendments to the existing standards and interpretations on the consolidated and separate financial statements of the Group and Bank in the period of initial application.

• **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU.

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**2. Basis of preparation (continued)**

**d) Standards and Interpretations that are issued but have not yet come into effect (continued)**

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of ‘material’ (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity’. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU.

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## **2. Basis of preparation (continued)**

### **e) Significant accounting judgments and estimates**

In the process of applying the Group and Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the consolidated and separate financial statements. The most significant use of judgments and estimates are as follows:

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 38.

#### *Expected credit losses on financial assets at amortised cost and FVOCI*

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank reviews its loans and advances to customers at each reporting date to assess whether there is any objective evidence of impairment. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

The Bank's ECL model relies on several underlying assumptions regarding the choice of variable inputs and their interdependencies, which affect the level of allowances:

- The internal credit grading model, which assigns PDs to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on LTECL
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived

For individually significant loans and advances, the Group and Bank identifies and quantifies the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 -1,500 thousands EUR, depending on the client type and customers' management departments.

The remaining loans and advances classified as impaired are grouped based on similar credit risk characteristics (debtor segmentation, product type, impairment trigger, delinquency) and a collectively estimated impairment allowance is computed against these exposures. The estimated loss rates, determined at the level of each sub-portfolio, are based on statistical observations and expertly adjusted, in order to reflect the perspectives of the recovery process and of the business environment.

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**2. Basis of preparation (continued)**

**e) Significant accounting judgments and estimates (continued)**

*Provisions for other risks and charges*

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;

ii. For multiple litigations, the assessment of “more likely than not” could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

Please refer to note 20 for more details.

*Tax on assets*

According to *Ordinance 114/2018 regarding the establishment of public investments, fiscal and budgetary measures, amending and completion of some normative acts and extension of some deadlines as subsequently amended by ordinance 19/2019* (“Ordinance”) the banking institutions must pay an annual levy on financial assets which falls under the provisions of IFRIC 21 “Levies”. The levy is contingent upon the following “thresholds” being met:

- bank should be profitable within the year,
- increase in loans portfolio and decrease in interest rates must be below levels defined by Ordinance.

Based on the provisions of the Ordinance the Bank will account for a prepayment when the first payment is made, no later than August 25<sup>th</sup> based on June 30<sup>th</sup> financial assets balance. As at December 31, 2019 the Bank will account for the entire year expense, based on year-end financial assets balance and contingent upon meeting the “thresholds” mentioned above.

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**2. Basis of preparation (continued)**

**f) Segment information**

A segment is a component of the Group and Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Group and Bank's segment reporting is based on the following segments: *Retail* including Individuals and Small Business, *Non-retail* including Small and medium enterprises ("SMEs") and Large corporate and *Corporate Center* including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

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### **3. Segment information**

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Corporate Center includes: treasury activities, ALM and other categories unallocated to Retail and Non-Retail business lines.

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

The Bank has restated the presentation of non-recourse factoring exposures for the year ended on December, 31<sup>st</sup> 2018. The reclassification has no impact in the computation of expected credit losses.

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**3. Segment information (continued)**

	Group							
	June, 30 2019 Unaudited (*)				December 31, 2018			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
<b>Total assets</b>	<b>56,743,633</b>	<b>22,109,829</b>	<b>8,529,287</b>	<b>26,104,516</b>	<b>55,719,368</b>	<b>21,695,837</b>	<b>8,668,451</b>	<b>25,355,080</b>
Loans and advances to customers, net & Finance lease receivables	30,639,116	22,109,829	8,529,287	-	30,364,288	21,695,837	8,668,451	-
Other assets	26,104,516	-	-	26,104,516	25,355,080	-	-	25,355,080
<b>Total liabilities</b>	<b>56,743,633</b>	<b>29,686,518</b>	<b>15,700,177</b>	<b>11,356,938</b>	<b>55,719,368</b>	<b>29,819,932</b>	<b>15,397,063</b>	<b>10,502,374</b>
Due to customers	45,386,695	29,686,518	15,700,177	-	45,216,995	29,819,932	15,397,063	-
Other liabilities	11,356,938	-	-	11,356,938	10,502,374	-	-	10,502,374

	Bank							
	June 30, 2019				December 31, 2018			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
<b>Total assets</b>	<b>54,956,860</b>	<b>21,175,618</b>	<b>7,826,331</b>	<b>25,954,911</b>	<b>54,089,354</b>	<b>20,858,569</b>	<b>8,034,774</b>	<b>25,196,011</b>
Loans and advances to customers, net	29,001,949	21,175,618	7,826,331	-	28,893,343	20,858,569	8,034,774	-
Other assets	25,954,911	-	-	25,954,911	25,196,011	-	-	25,196,011
<b>Total liabilities</b>	<b>54,956,860</b>	<b>29,687,650</b>	<b>15,749,055</b>	<b>9,520,155</b>	<b>54,089,354</b>	<b>29,819,932</b>	<b>15,495,624</b>	<b>8,773,798</b>
Due to customers	45,436,705	29,687,650	15,749,055	-	45,315,556	29,819,932	15,495,624	-
Other liabilities	9,520,155	-	-	9,520,155	8,773,798	-	-	8,773,798

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**3. Segment information (continued)**

	Group							
	Six months ended June 30, 2019 Unaudited (*)				Six months ended June 30, 2018 Unaudited (*)			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,044,744	690,538	225,929	128,277	937,493	627,261	216,729	93,502
Fees and commissions, net	386,681	303,943	83,920	(1,183)	379,273	293,891	85,277	105
Total non-interest income	177,158	46,002	42,933	88,223	163,105	45,694	45,629	71,783
<b>Operating income</b>	<b>1,608,583</b>	<b>1,040,485</b>	<b>352,782</b>	<b>215,317</b>	<b>1,479,871</b>	<b>966,847</b>	<b>347,635</b>	<b>165,389</b>
<b>Total operating expenses</b>	<b>(803,724)</b>	<b>(579,229)</b>	<b>(203,277)</b>	<b>(21,217)</b>	<b>(738,289)</b>	<b>(549,665)</b>	<b>(172,996)</b>	<b>(15,628)</b>
Cost of risk	144,317	(1,105)	155,710	(10,288)	154,384	(27,560)	184,546	(2,602)
<b>Profit before income tax</b>	<b>949,176</b>	<b>460,151</b>	<b>305,215</b>	<b>183,812</b>	<b>895,966</b>	<b>389,622</b>	<b>359,185</b>	<b>147,159</b>
Total income tax	(162,273)	(78,698)	(52,220)	(31,356)	(139,411)	(60,663)	(55,924)	(22,824)
<b>Profit for the period</b>	<b>786,903</b>	<b>381,453</b>	<b>252,995</b>	<b>152,456</b>	<b>756,555</b>	<b>328,959</b>	<b>303,261</b>	<b>124,335</b>
<b>Cost Income Ratio</b>	<b>50.0%</b>	<b>55.7%</b>	<b>57.6%</b>	<b>9.9%</b>	<b>49.9%</b>	<b>56.8%</b>	<b>49.8%</b>	<b>9.4%</b>

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**3. Segment information (continued)**

	Bank							
	Six months ended June 30, 2019				Six months ended June 30, 2018			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	983,278	623,129	189,168	170,982	878,576	586,777	196,246	95,554
Fees and commissions, net	367,955	288,885	82,521	(3,452)	361,572	279,525	84,178	(2,131)
Total non-interest income	214,378	45,830	41,360	127,189	197,528	44,923	43,313	109,291
<b>Operating income</b>	<b>1,565,610</b>	<b>957,843</b>	<b>313,049</b>	<b>294,718</b>	<b>1,437,676</b>	<b>911,225</b>	<b>323,737</b>	<b>202,714</b>
<b>Total operating expenses</b>	<b>(760,161)</b>	<b>(547,074)</b>	<b>(192,414)</b>	<b>(20,673)</b>	<b>(696,717)</b>	<b>(517,410)</b>	<b>(163,474)</b>	<b>(15,833)</b>
Cost of risk	153,787	2,205	154,973	(3,391)	159,501	(17,905)	179,706	(2,300)
<b>Profit before income tax</b>	<b>959,237</b>	<b>412,975</b>	<b>275,608</b>	<b>270,655</b>	<b>900,460</b>	<b>375,910</b>	<b>339,970</b>	<b>184,581</b>
Total income tax	(156,577)	(67,410)	(44,988)	(44,179)	(133,741)	(55,832)	(50,494)	(27,415)
<b>Profit for the period</b>	<b>802,660</b>	<b>345,565</b>	<b>230,620</b>	<b>226,475</b>	<b>766,719</b>	<b>320,078</b>	<b>289,475</b>	<b>157,166</b>
<b>Cost Income Ratio</b>	<b>48.6%</b>	<b>57.1%</b>	<b>61.5%</b>	<b>7.0%</b>	<b>48.4%</b>	<b>56.8%</b>	<b>50.5%</b>	<b>7.8%</b>

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**4. Cash in hand**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Cash in vaults	1,272,652	1,679,393	1,272,646	1,679,366
Cash in ATM	400,616	556,651	400,616	556,651
<b>Total</b>	<b>1,673,269</b>	<b>2,236,045</b>	<b>1,673,263</b>	<b>2,236,018</b>

**5. Due from Central Bank**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Current accounts	3,738,846	3,785,491	3,738,846	3,785,491
Deposits	1,000,486	-	1,000,486	-
<b>Total</b>	<b>4,739,332</b>	<b>3,785,491</b>	<b>4,739,332</b>	<b>3,785,491</b>

**6. Due from banks**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Deposits at Romanian banks	155,316	6,916	155,316	6,916
Deposits at foreign banks	2,875,925	2,991,057	2,858,455	2,972,634
Current accounts at Romanian banks	63	46	62	40
Current accounts at foreign banks	361,320	318,325	361,320	318,325
<b>Total</b>	<b>3,392,624</b>	<b>3,316,344</b>	<b>3,375,153</b>	<b>3,297,915</b>

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 98 as at June 30, 2019 (December 31, 2018: 87).

**7. Derivative and other financial instruments held for trading**

Group	June 30, 2019		
	Unaudited (*)		
	Assets	Liabilities	Notional (total)/Market value
Interest rate swaps	94,011	32,487	3,941,309
Currency swaps	19,475	5,471	4,137,694
Forward foreign exchange contracts	8,809	19,726	1,882,576
Options	30,987	31,281	5,867,067
<b>Total derivative financial instruments</b>	<b>153,282</b>	<b>88,965</b>	<b>15,828,646</b>
Treasury notes/Short selling	1,174,384	149,330	1,282,351
Trading deposits	-	305,751	-
Repo/Reverse repo	1,473,320	21,878	1,474,403
<b>Total</b>	<b>2,800,986</b>	<b>565,924</b>	<b>18,585,400</b>
	<b>December 31, 2018</b>		
	Assets	Liabilities	Notional (total)/Market value
Interest rate swaps	94,603	39,294	3,597,364
Currency swaps	13,008	5,315	3,373,255
Forward foreign exchange contracts	2,772	13,246	1,705,429
Options	45,877	47,106	4,835,670
<b>Total derivative financial instruments</b>	<b>156,260</b>	<b>104,960</b>	<b>13,511,718</b>
Treasury notes/Short selling	780,679	107,432	873,633
Trading deposits	-	128,669	-
Repo/Reverse repo	1,315,524	-	1,288,033
<b>Total</b>	<b>2,252,463</b>	<b>341,061</b>	<b>15,673,383</b>

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**7. Derivative and other financial instruments held for trading (continued)**

Bank

	June 30, 2019		
	Assets	Liabilities	Notional (total)/Market value
Interest rate swaps	94,011	32,487	3,941,309
Currency swaps	19,475	5,471	4,137,694
Forward foreign exchange contracts	8,874	19,726	1,920,456
Options	30,987	31,281	5,867,067
<b>Total derivative financial instruments</b>	<b>153,347</b>	<b>88,965</b>	<b>15,866,526</b>
Treasury notes/Short selling	1,174,384	149,330	1,282,351
Trading deposits	-	305,751	-
Repo/Reverse repo	1,473,320	21,878	1,474,403
<b>Total</b>	<b>2,801,051</b>	<b>565,924</b>	<b>18,623,280</b>

  

	December 31, 2018		
	Assets	Liabilities	Notional (total)/Market value
Interest rate swaps	94,603	39,294	3,597,364
Currency swaps	13,008	5,315	3,373,255
Forward foreign exchange contracts	2,829	13,246	1,728,748
Options	45,877	47,106	4,835,670
<b>Total derivative financial instruments</b>	<b>156,316</b>	<b>104,960</b>	<b>13,535,037</b>
Treasury notes/Short selling	780,679	107,432	873,633
Trading deposits	-	128,669	-
Repo/Reverse repo	1,315,524	-	1,288,033
<b>Total</b>	<b>2,252,519</b>	<b>341,061</b>	<b>15,696,702</b>

The Group continue to apply hedge accounting (fair value hedge) as at June 30, 2019 and has 3 hedging relationships (3 hedging relationships as at December 31, 2018).

- On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 41.66 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 1.75 years.
- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
  - 162 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 9 years.
  - 64 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 4years.
  - 60 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 6 years.
  - 56 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 4 years.
  - 36 million USD yearly with a fixed interest rate of 2.813%; he remaining period of 9 years.
  - 24 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 4 years.

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**7. Derivative and other financial instruments held for trading (continued)**

All hedging relationships have quarterly settlement periods for both fixed and variable legs. The hedging relationships were effective throughout the reporting period.

Main source of hedge ineffectiveness that might be expected to affect the hedging relationships is the amortization model of current accounts. However, the amortization of the hedged item is based on a behavioral ALM model that is reviewed / back tested on a yearly basis. In order to avoid inefficiency generated by the underestimated amortization of the current accounts, maximum 70% of the current accounts portfolio per each time band is designated as hedged item.

As the theoretical derivative is built as to match the interest rate behavior of the current accounts, the hedged item, there are no other major sources of ineffectiveness identified to threaten the hedge accounting relationship.

As at 30 June 2019, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to 47,497. The change in value of the hedged item during the period is explained by loss from revaluation in amount of -36,852 and by the exchange rate evolution effect in amount of 137. During 2019, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognized in profit or loss amounts -376.

The fair value of hedging instrument for Group and Bank was the following:

	<b>June 30, 2019</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional (total)/Market value</b>
Interest rate swaps	44,356	-	2,066,190
	<b>December 31, 2018</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional (total)/Market value</b>
Interest rate swaps	7,870	-	2,442,206

*Forwards*

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

*Swaps*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

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**7. Derivative and other financial instruments held for trading (continued)**

*Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Bank purchases and sells options in the over-the-counter markets.

Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

*Trading treasury notes* are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes in Bank's portfolio are issued by the Romanian Government in RON, EUR and USD.

**8. Loans and advances to customers**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Loans, gross	31,433,512	31,576,437	30,577,357	30,768,470
Loans impairment	(1,671,680)	(1,973,161)	(1,575,408)	(1,875,127)
<b>Total</b>	<b>29,761,832</b>	<b>29,603,276</b>	<b>29,001,949</b>	<b>28,893,343</b>

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Working capital loans	4,251,266	3,988,989	4,251,266	3,988,989
Loans for equipment	2,706,303	2,758,169	2,488,111	2,583,418
Trade activities financing	670,031	1,124,650	670,031	1,124,650
Acquisition of real estate, including mortgage for individuals	12,658,958	12,413,066	12,658,958	12,413,066
Consumer loans	9,218,518	9,332,902	8,580,556	8,699,685
Other	1,928,436	1,958,662	1,928,436	1,958,662
<b>Total</b>	<b>31,433,512</b>	<b>31,576,437</b>	<b>30,577,357</b>	<b>30,768,470</b>

The Bank has restated the presentation of non-recourse factoring exposures for the year ended on December, 31<sup>st</sup> 2018. The reclassification has no impact in the computation of expected credit losses.

In the first half of 2019 the gross loan portfolio remained stable with slight decrease of 191 million RON as compared with 31 December 2018.

As at 30 June 2019 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 22,990 million RON, with a 1,083 million increase compared to 31 December 2018.
- Stage 2: 6,159 million RON, with a 984 million RON decrease compared to 31 December 2018.
- Stage 3: 1,354 million RON, with a 286 million RON decrease compared to 31 December 2018.
- POCI: 74 million RON, with a 4 million RON decrease compared to 31 December 2018

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**8. Loans and advances to customers (continued)**

The main movements on Gross exposure and ECL reflect the Bank's continuous efforts to improve the quality of the loan portfolio, along with proactive actions to enhance the recoveries of non-performing exposures and write-off operations.

As of June 30, 2019 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 2,530,405(December 31, 2018: 2,685,093), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 3,833,892 (December 31, 2018: 3,691,400).

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**8. Loans and advances to customers (continued)**

**Sector analysis of loans granted and impairment allowance**

Group Unaudited (*) %	June 30, 2019									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	68.2%	75.7%	83.5%	72.4%	60.2%	54.6%	30.5%	5.4%	70.8%	59.5%
Agriculture, forestry and fishing	1.7%	1.8%	1.3%	1.2%	1.5%	1.7%	3.1%	4.5%	1.6%	1.7%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.7%	5.5%	2.4%	1.5%	5.6%	6.1%	13.3%	4.2%	5.1%	5.1%
Electricity, gas, steam and air conditioning supply	2.0%	1.5%	2.5%	8.6%	1.6%	1.8%	0.0%	0.0%	2.1%	3.1%
Water supply	0.2%	0.3%	0.5%	1.0%	0.2%	0.2%	0.1%	0.0%	0.3%	0.4%
Construction	0.4%	0.4%	2.1%	5.3%	10.3%	12.7%	2.0%	1.8%	1.2%	9.4%
Wholesale and retail trade	6.3%	4.3%	3.4%	2.8%	8.7%	9.9%	6.3%	10.2%	5.9%	7.8%
Transport and storage	2.2%	1.9%	0.7%	0.6%	0.6%	0.7%	0.2%	0.0%	1.8%	0.8%
Accommodation and food service activities	0.6%	0.5%	0.2%	0.1%	4.1%	3.8%	0.1%	0.0%	0.7%	2.6%
Information and communication	1.7%	1.5%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	1.3%	0.3%
Financial institutions	4.6%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	0.2%
Real estate activities	1.3%	1.4%	0.0%	0.1%	1.4%	1.8%	40.4%	69.4%	1.1%	3.2%
Professional, scientific and technical activities	0.4%	0.5%	0.3%	0.4%	3.2%	3.8%	0.0%	0.0%	0.5%	2.6%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	4.0%	4.4%	0.1%	0.5%
Public administration and defence, compulsory social security	3.8%	2.5%	1.9%	4.0%	1.3%	1.2%	0.0%	0.0%	3.3%	1.9%
Education	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human health services and social work activities	0.5%	0.5%	0.2%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.3%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Loans to individuals include mortgage loans, consumer loans and overdrafts.

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**8. Loans and advances to customers (continued)**

**Sector analysis of loans granted and impairment allowance (continued)**

Bank %	June 30, 2019									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	67.8%	73.7%	84.0%	72.3%	58.0%	51.8%	30.5%	5.4%	70.5%	57.3%
Agriculture, forestry and fishing	1.4%	1.8%	1.0%	0.9%	1.6%	1.8%	3.1%	4.5%	1.3%	1.7%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.9%	6.0%	2.4%	1.5%	5.9%	6.5%	13.3%	4.2%	5.2%	5.4%
Electricity, gas, steam and air conditioning supply	2.0%	1.6%	2.5%	8.9%	1.7%	1.9%	0.0%	0.0%	2.1%	3.2%
Water supply	0.2%	0.3%	0.5%	1.0%	0.2%	0.2%	0.1%	0.0%	0.3%	0.4%
Construction	0.4%	0.5%	2.1%	5.5%	10.9%	13.5%	2.0%	1.8%	1.2%	10.0%
Wholesale and retail trade	6.5%	4.7%	3.4%	2.9%	9.2%	10.6%	6.3%	10.2%	6.0%	8.3%
Transport and storage	1.9%	1.9%	0.4%	0.2%	0.5%	0.6%	0.2%	0.0%	1.5%	0.7%
Accommodation and food service activities	0.6%	0.5%	0.2%	0.2%	4.3%	4.1%	0.1%	0.0%	0.7%	2.7%
Information and communication	1.8%	1.6%	0.1%	0.0%	0.1%	0.2%	0.0%	0.0%	1.4%	0.3%
Financial institutions	5.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.7%	0.2%
Real estate activities	1.3%	1.5%	0.0%	0.1%	1.5%	1.9%	40.4%	69.4%	1.2%	3.4%
Professional, scientific and technical activities	0.4%	0.5%	0.3%	0.4%	3.4%	4.1%	0.0%	0.0%	0.5%	2.8%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.6%	0.7%	4.0%	4.4%	0.2%	0.6%
Public administration and defence, compulsory social security	3.9%	2.8%	1.9%	4.1%	1.4%	1.3%	0.0%	0.0%	3.4%	2.0%
Education	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human health services and social work activities	0.6%	0.6%	0.2%	0.3%	0.4%	0.5%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.3%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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**8. Loans and advances to customers (continued)**

**Sector analysis of loans granted and impairment allowance (continued)**

Group %	December 31, 2018									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	66.3%	65.1%	84.2%	68.7%	54.0%	49.0%	27.8%	5.2%	69.6%	53.9%
Agriculture, forestry and fishing	1.7%	8.6%	1.1%	1.0%	3.4%	3.2%	4.4%	0.4%	1.6%	3.4%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.8%	4.9%	3.0%	5.7%	7.8%	7.8%	11.1%	6.9%	5.3%	7.0%
Electricity, gas, steam and air conditioning supply	2.2%	1.5%	2.5%	9.7%	1.6%	2.0%	0.0%	0.0%	2.2%	3.4%
Water supply	0.4%	0.6%	0.3%	0.5%	0.2%	0.2%	0.2%	0.0%	0.4%	0.3%
Construction	0.5%	0.5%	1.5%	3.3%	12.3%	15.2%	1.6%	1.6%	1.4%	10.7%
Wholesale and retail trade	6.1%	6.3%	3.1%	3.0%	9.6%	11.3%	7.6%	11.1%	5.6%	9.0%
Transport and storage	1.2%	1.0%	0.6%	0.6%	0.6%	0.7%	0.0%	0.0%	1.0%	0.7%
Accommodation and food service activities	0.7%	0.7%	0.1%	0.2%	4.0%	4.0%	0.2%	0.0%	0.7%	2.7%
Information and communication	3.3%	2.3%	0.1%	0.1%	1.1%	1.2%	0.0%	0.0%	2.5%	1.1%
Financial institutions	5.3%	2.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	0.3%
Real estate activities	1.0%	1.3%	0.1%	0.1%	1.7%	1.8%	43.1%	71.1%	1.0%	3.0%
Professional, scientific and technical activities	0.5%	0.7%	0.3%	0.4%	1.0%	0.8%	0.0%	0.0%	0.5%	0.7%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	3.8%	3.6%	0.1%	0.5%
Public administration and defence, compulsory social security	4.2%	3.1%	2.0%	4.7%	1.3%	1.1%	0.0%	0.0%	3.5%	2.0%
Education	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.3%
Human health services and social work activities	0.6%	0.6%	0.1%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.5%	1.4%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Loans to individuals include mortgage loans, consumer loans and overdrafts.

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(\*) Unaudited / unreviewed by the financial auditor

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**8. Loans and advances to customers (continued)**

**Sector analysis of loans granted and impairment allowance (continued)**

Bank %	December 31, 2018									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	65.8%	62.4%	84.5%	68.4%	51.9%	46.2%	27.8%	5.2%	69.3%	51.7%
Agriculture, forestry and fishing	1.5%	9.3%	0.9%	0.8%	3.6%	3.4%	4.4%	0.4%	1.5%	3.5%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.9%	5.4%	3.0%	5.8%	8.2%	8.3%	11.1%	6.9%	5.4%	7.4%
Electricity, gas, steam and air conditioning supply	2.2%	1.6%	2.5%	10.0%	1.6%	2.2%	0.0%	0.0%	2.3%	3.6%
Water supply	0.4%	0.6%	0.3%	0.5%	0.2%	0.2%	0.2%	0.0%	0.4%	0.3%
Construction	0.5%	0.5%	1.5%	3.4%	12.9%	16.1%	1.6%	1.6%	1.4%	11.3%
Wholesale and retail trade	6.3%	6.9%	3.1%	3.0%	10.1%	11.9%	7.6%	11.1%	5.8%	9.5%
Transport and storage	0.9%	0.8%	0.4%	0.3%	0.6%	0.6%	0.0%	0.0%	0.7%	0.6%
Accommodation and food service activities	0.7%	0.7%	0.1%	0.2%	4.2%	4.2%	0.2%	0.0%	0.8%	2.8%
Information and communication	3.5%	2.5%	0.1%	0.1%	1.1%	1.3%	0.0%	0.0%	2.5%	1.1%
Financial institutions	5.6%	3.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	0.4%
Real estate activities	1.1%	1.4%	0.1%	0.1%	1.8%	1.9%	43.1%	71.1%	1.0%	3.1%
Professional, scientific and technical activities	0.5%	0.7%	0.3%	0.4%	1.0%	0.9%	0.0%	0.0%	0.5%	0.7%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	3.8%	3.6%	0.1%	0.5%
Public administration and defence, compulsory social security	4.3%	3.4%	2.1%	4.8%	1.4%	1.2%	0.0%	0.0%	3.6%	2.2%
Education	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.3%
Human health services and social work activities	0.6%	0.7%	0.1%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Loans to individuals include mortgage loans, consumer loans and overdrafts.

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**8. Loans and advances to customers (continued)**

**Rating analysis of loans**

Considering the internal rating quality, the exposures of the counterparties not impaired and without overdues are split in 3 categories which are defined below:

**Very good** – The counterparty is considered to be very reliable. The capacity to service its debt is very strong.

**Good** – The counterparty is judged to be of good quality. The capacity to service its debt is strong but counterparty is somewhat more sensitive to adverse changes in circumstances and economic conditions.

**Standard grade** – The counterparty has an average solvency. The ability to service its debt is still sufficient, but more likely to be undermined by unfavourable economic conditions and changes in circumstances.

**Sub-standard grade** - The counterparty reflected credit behaviour or financial deterioration implying increased credit risk. Timely debt service repayment is uncertain and depends on favourable economic and financial conditions. Close and more frequent monitoring of the client's capacity to service the bank debt is needed, in order to be able to react to a potential deterioration via implementation of corrective measures.

**The corresponding PD interval is depicted below:**

<b>Category</b>	<b>PD Interval</b>
Very good grade	[0,00%;0,74%)
Good grade	[0,74%;3,88%)
Standard grade	[3,88%;12,79%)
Sub-standard grade	>12,79%

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**8. Loans and advances to customers (continued)**

**Rating analysis of loans (continued)**

Group	Retail lending					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Unaudited (*)						
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	12,388,477	1,271,214	-	-	13,659,691	13,114,444
Good grade	2,517,141	1,765,218	-	-	4,282,359	4,592,712
Standard grade	968,786	1,580,841	-	-	2,549,626	2,483,909
Sub-standard grade	0	737,327	-	13,076	750,403	746,930
Non- performing	-	-	916,825	11,280	928,105	1,002,440
(out of which) Individual assessment	-	-	74,769	-	74,769	94,300
Not rated internally	704,420	20,360	1,129	-	725,909	678,276
<b>Total</b>	<b>16,578,824</b>	<b>5,374,960</b>	<b>917,955</b>	<b>24,356</b>	<b>22,896,094</b>	<b>22,618,711</b>
Less allowance	(161,571)	(246,259)	(639,480)	(3,721)	(1,051,031)	(1,122,354)
<b>Net Carrying amount</b>	<b>16,417,253</b>	<b>5,128,701</b>	<b>278,475</b>	<b>20,635</b>	<b>21,845,063</b>	<b>21,496,358</b>

Group	Non-Retail lending					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Unaudited (*)						
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	433,227	-	-	-	433,227	443,128
Good grade	3,975,825	41,612	-	-	4,017,437	4,190,750
Standard grade	2,724,487	206,958	-	-	2,931,445	2,849,715
Sub-standard grade	1	590,260	-	7,909	598,170	690,188
Non- performing	-	-	515,197	41,942	557,139	778,480
(out of which) Individual assessment	-	-	408,349	41,171	449,521	636,262
Not rated internally	-	-	-	-	-	5,464
<b>Total</b>	<b>7,133,541</b>	<b>838,830</b>	<b>515,197</b>	<b>49,851</b>	<b>8,537,418</b>	<b>8,957,726</b>
Less allowance	(48,452)	(83,377)	(449,336)	(39,485)	(620,650)	(850,807)
<b>Net Carrying amount</b>	<b>7,085,089</b>	<b>755,453</b>	<b>65,861</b>	<b>10,366</b>	<b>7,916,768</b>	<b>8,106,919</b>

Group	Total					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Unaudited (*)						
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	12,821,705	1,271,214	-	-	14,092,919	13,557,572
Good grade	6,492,966	1,806,830	-	-	8,299,796	8,783,462
Standard grade	3,693,273	1,787,799	-	-	5,481,072	5,333,625
Sub-standard grade	1	1,327,587	-	20,984	1,348,572	1,437,118
Non- performing	-	-	1,432,022	53,222	1,485,244	1,780,921
(out of which) Individual assessment	-	-	483,118	41,171	524,289	730,563
Not rated internally	704,420	20,360	1,129	-	725,909	683,740
<b>Total</b>	<b>23,712,365</b>	<b>6,213,789</b>	<b>1,433,152</b>	<b>74,206</b>	<b>31,433,512</b>	<b>31,576,437</b>
Less allowance	(210,023)	(329,636)	(1,088,816)	(43,206)	(1,671,681)	(1,973,161)
<b>Net Carrying amount</b>	<b>23,502,342</b>	<b>5,884,154</b>	<b>344,335</b>	<b>31,001</b>	<b>29,761,831</b>	<b>29,603,276</b>

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**8. Loans and advances to customers (continued)**

**Rating analysis of loans (continued)**

Bank	Retail lending					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	12,388,477	12,388,477	-	-	13,659,691	13,114,444
Good grade	2,517,141	1,765,218	-	-	4,282,359	4,592,712
Standard grade	968,786	1,580,841	-	-	2,549,626	2,483,909
Sub-standard grade	0	737,327	-	13,076	750,403	746,930
Non-performing	-	-	839,771	11,280	851,051	923,909
(out of which) Individual assessment	-	-	74,769	-	74,769	94,300
Not rated internally	41,132	-	-	-	41,132	24,563
<b>Total</b>	<b>15,915,536</b>	<b>16,471,863</b>	<b>839,771</b>	<b>24,356</b>	<b>22,134,263</b>	<b>21,886,467</b>
Less allowance	(143,239)	(237,833)	(573,852)	(3,721)	(958,645)	(1,027,898)
<b>Net Carrying amount</b>	<b>15,772,297</b>	<b>16,234,029</b>	<b>265,920</b>	<b>20,635</b>	<b>21,175,618</b>	<b>20,858,569</b>

	Non-Retail lending					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	433,227	-	-	-	433,227	443,128
Good grade	3,998,455	41,004	-	-	4,039,460	4,213,761
Standard grade	2,643,141	185,614	-	-	2,828,755	2,761,644
Sub-standard grade	1	577,429	-	7,909	585,339	680,909
Non-performing	-	-	514,371	41,942	556,313	777,097
(out of which) Individual assessment	-	-	408,349	41,171	449,521	636,262
Not rated internally	-	-	-	-	-	5,464
<b>Total</b>	<b>7,074,825</b>	<b>804,048</b>	<b>514,371</b>	<b>49,851</b>	<b>8,443,095</b>	<b>8,882,003</b>
Less allowance	(47,885)	(80,973)	(448,420)	(39,485)	(616,763)	(847,230)
<b>Net Carrying amount</b>	<b>7,026,939</b>	<b>723,075</b>	<b>65,951</b>	<b>10,366</b>	<b>7,826,332</b>	<b>8,034,773</b>

	Total					December 31, 2018 Total
	June 30, 2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
<b>Gross carrying amount</b>						
Internal rating grade						
Very good grade	12,821,705	1,271,214	-	-	14,092,919	13,557,572
Good grade	6,515,596	1,806,222	-	-	8,321,819	8,806,473
Standard grade	3,611,926	1,766,455	-	-	5,378,382	5,245,554
Sub-standard grade	1	1,314,756	-	20,984	1,335,742	1,427,839
Non-performing	-	-	1,354,143	53,222	1,407,365	1,701,005
(out of which) Individual assessment	-	-	483,118	41,171	524,289	730,563
Not rated internally	41,132	-	-	-	41,132	30,027
<b>Total</b>	<b>22,990,360</b>	<b>6,158,648</b>	<b>1,354,143</b>	<b>74,206</b>	<b>30,577,357</b>	<b>30,768,470</b>
Less allowance	(191,124)	(318,806)	(1,022,272)	(43,206)	(1,575,408)	(1,875,127)
<b>Net Carrying amount</b>	<b>22,799,236</b>	<b>5,839,842</b>	<b>331,871</b>	<b>31,001</b>	<b>29,001,949</b>	<b>28,893,342</b>

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**8. Loans and advances to customers (continued)**

**Impairment allowance movement**

Group Unaudited (*)	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Impairment allowance as at 31 December 2018</b>	161,473	276,981	680,251	3,648	<b>1,122,353</b>
New assets originated or purchased	30,317	6,773	13,300	48	<b>50,439</b>
Assets derecognised or repaid (excluding write offs)	(9,759)	(10,250)	(89,178)	(572)	<b>(109,759)</b>
Net provision movement for assets that did not change classification	(19,803)	(16,948)	23,656	756	<b>(12,339)</b>
Movements due to change in classification	(1,196)	(11,838)	54,938	(164)	<b>41,740</b>
Amounts written off	(2)	(26)	(46,447)	(5)	<b>(46,481)</b>
Foreign exchange adjustments	542	1,566	2,960	9	<b>5,077</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>161,571</b>	<b>246,259</b>	<b>639,480</b>	<b>3,721</b>	<b>1,051,031</b>
	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Impairment allowance as at 31 December 2018</b>	82,662	114,961	611,178	42,006	<b>850,807</b>
New assets originated or purchased	5,309	5,291	657	85	<b>11,342</b>
Assets derecognised or repaid (excluding write offs)	(4,991)	(6,934)	(53,114)	(4,871)	<b>(69,910)</b>
Net provision movement for assets that did not change classification	(33,136)	(17,568)	22,035	4,182	<b>(24,488)</b>
Movements due to change in classification	(1,615)	(12,998)	3,156	-	<b>(11,457)</b>
Amounts written off	-	(0)	(137,840)	(2,334)	<b>(140,173)</b>
Foreign exchange adjustments	224	624	3,264	417	<b>4,529</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>48,452</b>	<b>83,376</b>	<b>449,336</b>	<b>39,485</b>	<b>620,650</b>
	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Impairment allowance as at 31 December 2018</b>	244,135	391,943	1,291,429	45,653	<b>1,973,160</b>
New assets originated or purchased	35,626	12,064	13,957	134	<b>61,781</b>
Assets derecognised or repaid (excluding write offs)	(14,751)	(17,184)	(142,292)	(5,443)	<b>(179,669)</b>
Net provision movement for assets that did not change classification	(52,939)	(34,516)	45,691	4,938	<b>(36,826)</b>
Movements due to change in classification	(2,811)	(24,836)	58,094	(164)	<b>30,283</b>
Amounts written off	(2)	(26)	(184,287)	(2,339)	<b>(186,654)</b>
Foreign exchange adjustments	765	2,190	6,224	426	<b>9,606</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>210,023</b>	<b>329,635</b>	<b>1,088,816</b>	<b>43,206</b>	<b>1,671,680</b>

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**8. Loans and advances to customers (continued)**

**Impairment allowance movement (continued)**

**Bank**

	<b>Retail lending</b>				<b>Total</b>
	Stage 1	Stage 2	Stage 3	POCI	
<b>Impairment allowance as at 31 December 2018</b>	142,803	267,941	613,505	3,648	<b>1,027,898</b>
New assets originated or purchased	29,542	5,910	126	48	<b>35,626</b>
Assets derecognised or repaid (excluding write offs)	(9,758)	(10,233)	(89,178)	(572)	<b>(109,740)</b>
Net provision movement for assets that did not change classification	(19,786)	(16,922)	23,183	756	<b>(12,768)</b>
Movements due to change in classification	(99)	(10,400)	55,007	(164)	<b>44,344</b>
Amounts written off	(2)	(26)	(31,751)	(5)	<b>(31,784)</b>
Foreign exchange adjustments	539	1,562	2,960	9	<b>5,070</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>143,239</b>	<b>237,833</b>	<b>573,852</b>	<b>3,721</b>	<b>958,645</b>

	<b>Non-Retail lending</b>				<b>Total</b>
	Stage 1	Stage 2	Stage 3	POCI	
<b>Impairment allowance as at 31 December 2018</b>	82,082	112,830	610,313	42,006	<b>847,230</b>
New assets originated or purchased	5,168	4,676	654	85	<b>10,583</b>
Assets derecognised or repaid (excluding write offs)	(4,986)	(6,864)	(53,114)	(4,871)	<b>(69,835)</b>
Net provision movement for assets that did not change classification	(32,861)	(17,399)	22,013	4,182	<b>(24,066)</b>
Movements due to change in classification	(1,734)	(12,868)	3,144	-	<b>(11,457)</b>
Amounts written off	-	(0)	(137,840)	(2,334)	<b>(140,173)</b>
Foreign exchange adjustments	216	597	3,250	417	<b>4,480</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>47,885</b>	<b>80,972</b>	<b>448,420</b>	<b>39,485</b>	<b>616,763</b>

	<b>Total</b>				<b>Total</b>
	Stage 1	Stage 2	Stage 3	POCI	
<b>Impairment allowance as at 31 December 2018</b>	224,885	380,771	1,223,818	45,653	<b>1,875,128</b>
New assets originated or purchased	34,710	10,586	779	134	<b>46,209</b>
Assets derecognised or repaid (excluding write offs)	(14,744)	(17,096)	(142,292)	(5,443)	<b>(179,575)</b>
Net provision movement for assets that did not change classification	(52,646)	(34,321)	45,196	4,938	<b>(36,834)</b>
Movements due to change in classification	(1,832)	(23,267)	58,150	(164)	<b>32,887</b>
Amounts written off	(2)	(26)	(169,590)	(2,339)	<b>(171,957)</b>
Foreign exchange adjustments	754	2,159	6,210	426	<b>9,550</b>
<b>Impairment allowance as at 30 June 2019</b>	<b>191,124</b>	<b>318,806</b>	<b>1,022,272</b>	<b>43,206</b>	<b>1,575,407</b>

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**9. Finance lease receivables**

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA, having in the portfolio vehicles, equipment (industrial, agricultural) and real estate leases. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The payment timing analysis of lease receivables is as follows:

	<b>Group</b>	
	<b>Unaudited (*)</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Gross investment in finance lease:</b>		
Under 1 year	353,678	347,883
Between 1 and 5 years	599,061	549,352
Higher than 5 years	14,385	3,194
	<b>967,124</b>	<b>900,429</b>
<b>Unearned finance income</b>	(16,605)	(62,180)
<b>Net investment in finance lease</b>	<b>950,519</b>	<b>838,249</b>
<b>Net investment in finance lease:</b>		
Under 1 year	347,606	318,277
Between 1 and 5 years	588,775	516,955
Higher than 5 years	14,138	3,016
	<b>950,519</b>	<b>838,249</b>
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Net investment in the lease	950,519	838,249
Accumulated allowance for uncollectible minimum lease payments receivable	(73,235)	(77,237)
<b>Total</b>	<b>877,284</b>	<b>761,012</b>

As at June 30, 2019 and December 31, 2018, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	<b>Group</b>		<b>Bank</b>	
	<b>Unaudited (*)</b>			
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Less than one year	714	1,437	714	1,437
Between one and five years	1,442	4,797	1,442	4,797
More than five years	859	3,041	859	3,041
<b>Total</b>	<b>3,015</b>	<b>9,275</b>	<b>3,015</b>	<b>9,275</b>

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**10. Financial assets at fair value through profit or loss**

	Group		Bank	
	Unaudited (*) June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Equity investments	61,968	47,363	61,968	47,363
Other securities	37,526	35,113	17,333	15,235
<b>Total</b>	<b>99,494</b>	<b>82,476</b>	<b>79,301</b>	<b>62,598</b>

***Equity investments***

Other equity investments represent shares in Visa Inc, Romanian Commodities Exchange (Bursa de Valori Bucuresti), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, , TransFond, SWIFT, Shareholders' Register for the National Securities Commission (Depozitarul Central S.A.), Bucharest Clearing House (Casa de Compensare Bucuresti SA), Bucharest Stock Exchange (Bursa Romana de Marfuri SA), Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor).

***Other securities***

The Group holds fund units in:

	Unaudited (*) June 30, 2019	Unit value RON	No of units	Market value
	BRD Simfonia			
BRD Obligatiuni	174	21,980	3,829	
BRD Diverso	185	37,578	6,936	
BRD Actiuni	209	44,358	9,288	
BRD Index	170	6,514	1,108	
<b>Total</b>			<b>37,526</b>	

Bank

	December 31, 2018	Unit value RON	No of units	Market value
BRD Simfonia	41			
BRD Obligatiuni	168	21,980	3,701	
BRD Diverso	170	37,578	6,403	
BRD Actiuni	177	44,358	7,857	
BRD Index	150	6,514	976	
<b>Total</b>			<b>35,113</b>	

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**10. Financial assets at fair value through profit or loss (continued)**

The Bank holds fund units in:

<b>June 30, 2019</b>	<b>Unit value RON</b>	<b>No of units</b>	<b>Market value</b>
BRD Diverso	185	37,578	6,936
BRD Actiuni	209	44,358	9,288
BRD Index	170	6,514	1,108
<b>Total</b>			<b>17,333</b>

<b>December 31, 2018</b>	<b>Unit value RON</b>	<b>No of units</b>	<b>Market value</b>
BRD Diverso	170	37,578	6,402
BRD Actiuni	177	44,358	7,857
BRD Index	150	6,514	976
<b>Total</b>			<b>15,235</b>

**11. Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 10,811,826 rated as BBB- by Standard&Poors, bonds issued by Frech State in amount of 240,821 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 328,597 rated as AA by Standard&Poors.

As at June 30, 2019, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 3,004 (December 31, 2018: 3,713).

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**12. Property, plant and equipment**

	Group						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
<b>Cost:</b>							
<b>as of December 31, 2017</b>	<b>1,322,042</b>	<b>29,239</b>	<b>240,911</b>	<b>553,551</b>	<b>55,319</b>	<b>-</b>	<b>2,201,062</b>
Additions	641	-	993	349	69,271	-	71,254
Transfers	12,356	7,912	37,834	28,560	(80,343)	-	6,319
Disposals	(11,196)	-	(33,776)	(34,262)	(65)	-	(79,299)
<b>as of December 31, 2018</b>	<b>1,323,843</b>	<b>37,151</b>	<b>245,962</b>	<b>548,198</b>	<b>44,182</b>	<b>-</b>	<b>2,199,336</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>1,323,843</b>	<b>37,151</b>	<b>245,962</b>	<b>548,198</b>	<b>44,182</b>	<b>482,209</b>	<b>2,681,545</b>
Additions	83	-	391	65	30,144	13,607	44,290
Transfers	15,870	-	11,752	3,784	(31,406)	-	-
Disposals	(3,656)	-	(14,030)	(11,463)	(4,683)	(8,070)	(41,902)
<b>as of June 30, 2019 Unaudited (*)</b>	<b>1,336,140</b>	<b>37,151</b>	<b>244,075</b>	<b>540,584</b>	<b>38,237</b>	<b>487,746</b>	<b>2,683,933</b>
<b>Depreciation and impairment:</b>							
<b>as of December 31, 2017</b>	<b>(718,318)</b>	<b>(16,698)</b>	<b>(187,891)</b>	<b>(432,691)</b>	<b>-</b>	<b>-</b>	<b>(1,355,598)</b>
Depreciation	(40,978)	(1,381)	(26,777)	(29,526)	-	-	(98,662)
Impairment	711	-	-	813	-	-	1,524
Disposals	9,730	-	33,934	30,589	-	-	74,253
Transfers	1,460	-	-	(1,460)	-	-	-
<b>as of December 31, 2018</b>	<b>(747,395)</b>	<b>(18,080)</b>	<b>(180,734)</b>	<b>(432,276)</b>	<b>-</b>	<b>-</b>	<b>(1,378,485)</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>(747,395)</b>	<b>(18,080)</b>	<b>(180,734)</b>	<b>(432,276)</b>	<b>-</b>	<b>-</b>	<b>(1,378,485)</b>
Depreciation	(20,575)	(727)	(13,158)	(14,700)	-	(46,127)	(95,287)
Impairment	(42)	-	-	555	-	-	513
Disposals	3,481	-	13,989	10,415	-	-	27,885
Transfers	237	-	(167)	(97)	-	2,518	2,491
<b>as of June 30, 2019 Unaudited (*)</b>	<b>(764,294)</b>	<b>(18,808)</b>	<b>(180,070)</b>	<b>(436,104)</b>	<b>-</b>	<b>(43,609)</b>	<b>(1,442,885)</b>
<b>Net book value:</b>							
<b>as of December 31, 2017</b>	<b>603,724</b>	<b>12,541</b>	<b>53,020</b>	<b>120,860</b>	<b>55,319</b>	<b>-</b>	<b>845,464</b>
<b>as of December 31, 2018</b>	<b>576,448</b>	<b>19,071</b>	<b>65,228</b>	<b>115,922</b>	<b>44,182</b>	<b>-</b>	<b>820,851</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>576,448</b>	<b>19,071</b>	<b>65,228</b>	<b>115,922</b>	<b>44,182</b>	<b>482,209</b>	<b>1,303,060</b>
<b>as of June 30, 2019</b>	<b>571,846</b>	<b>18,343</b>	<b>64,005</b>	<b>104,480</b>	<b>38,237</b>	<b>444,137</b>	<b>1,241,048</b>

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**12. Property, plant and equipment (continued)**

	Bank						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
<b>Cost:</b>							
<b>as of December 31, 2017</b>	<b>1,311,942</b>	<b>29,243</b>	<b>230,249</b>	<b>552,949</b>	<b>55,318</b>	<b>-</b>	<b>2,179,701</b>
Additions	641	-	-	349	69,271	-	70,262
Transfers	12,356	7,908	37,834	28,558	(80,343)	-	6,314
Disposals	(11,117)	-	(33,755)	(34,121)	(65)	-	(79,058)
<b>as of December 31, 2018</b>	<b>1,313,822</b>	<b>37,151</b>	<b>234,328</b>	<b>547,736</b>	<b>44,182</b>	<b>-</b>	<b>2,177,218</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>1,313,822</b>	<b>37,151</b>	<b>234,328</b>	<b>547,736</b>	<b>44,182</b>	<b>467,125</b>	<b>2,644,343</b>
Additions	-	-	-	-	29,636	12,489	42,125
Transfers	15,860	-	11,922	3,631	(31,413)	-	0
Disposals	(3,656)	-	(12,087)	(11,494)	(4,677)	(7,703)	(39,616)
<b>as of June 30, 2019</b>	<b>1,326,027</b>	<b>37,151</b>	<b>234,163</b>	<b>539,873</b>	<b>37,728</b>	<b>471,911</b>	<b>2,646,852</b>
<b>Depreciation and impairment:</b>							
<b>as of December 31, 2017</b>	<b>(713,821)</b>	<b>(16,700)</b>	<b>(178,825)</b>	<b>(432,164)</b>	<b>-</b>	<b>-</b>	<b>(1,341,512)</b>
Depreciation	(40,742)	(1,380)	(26,005)	(29,528)	-	-	(97,655)
Impairment	711	-	-	813	-	-	1,524
Disposals	9,730	-	33,754	30,594	-	-	74,078
Transfers	1,460	-	-	(1,460)	-	-	-
<b>as of December 31, 2018</b>	<b>(742,661)</b>	<b>(18,080)</b>	<b>(171,076)</b>	<b>(431,745)</b>	<b>-</b>	<b>-</b>	<b>(1,363,564)</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>(742,661)</b>	<b>(18,080)</b>	<b>(171,076)</b>	<b>(431,745)</b>	<b>-</b>	<b>-</b>	<b>(1,363,564)</b>
Depreciation	(20,445)	(727)	(12,829)	(14,682)	-	(43,551)	(92,234)
Impairment	(42)	-	-	555	-	-	513
Disposals	3,481	-	12,087	10,415	-	-	25,983
Transfers	218	-	-	(218)	-	2,518	2,518
<b>as of June 30, 2019</b>	<b>(759,449)</b>	<b>(18,808)</b>	<b>(171,818)</b>	<b>(435,675)</b>	<b>-</b>	<b>(41,033)</b>	<b>(1,426,783)</b>
<b>Net book value:</b>							
<b>as of December 31, 2017</b>	<b>598,121</b>	<b>12,543</b>	<b>51,424</b>	<b>120,785</b>	<b>55,318</b>	<b>-</b>	<b>838,189</b>
<b>as of December 31, 2018</b>	<b>571,161</b>	<b>19,071</b>	<b>63,252</b>	<b>115,991</b>	<b>44,182</b>	<b>-</b>	<b>813,654</b>
<b>as at 1 st January 2019 (under IFRS 16)</b>	<b>571,161</b>	<b>19,071</b>	<b>63,252</b>	<b>115,991</b>	<b>44,182</b>	<b>467,125</b>	<b>1,280,779</b>
<b>as of June 30, 2019</b>	<b>566,578</b>	<b>18,343</b>	<b>62,345</b>	<b>104,198</b>	<b>37,728</b>	<b>430,878</b>	<b>1,220,069</b>

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 20,622 as at June 30, 2019 (December 31, 2018: 21,349). The fair value has been determined based on a valuation by an independent valuer in 2018. Rental income from investment property of 836 (June 30, 2018: 917) has been recognised in other income.

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### 13. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch become the present Sucursala Mari Clienti Corporativi (“SMCC”) – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at June 30, 2019, the branch had a number of 3,528 active customers (2018: 3,518), with loans representing approximately 10% from total loans managed by the network (2018: 11%) and with deposits representing about 15% of networks’ deposits (2018: 15%). Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank’s net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

### 14. Intangible assets

The balance of the intangible assets as of June 30, 2019 and December 31, 2018 represents mainly software.

	Group	Bank
<b>Cost:</b>		
<b>as of December 31, 2017</b>	<b>457,685</b>	<b>426,775</b>
Additions	76,794	76,000
Disposals	(2,115)	(2,037)
<b>as of December 31, 2018</b>	<b>532,364</b>	<b>500,738</b>
Additions	37,553	35,501
Disposals	(118)	(1)
<b>as of June 30, 2019</b>	<b>569,799</b>	<b>536,238</b>
<b>Amortization:</b>		
<b>as of December 31, 2017</b>	<b>(351,277)</b>	<b>(323,512)</b>
Amortization expense	(38,269)	(36,634)
<b>as of December 31, 2018</b>	<b>(389,546)</b>	<b>(360,146)</b>
Amortization expense	(18,111)	(17,541)
<b>as of June 30, 2019</b>	<b>(407,951)</b>	<b>(377,687)</b>
<b>Net book value:</b>		
<b>as of December 31, 2017</b>	<b>106,408</b>	<b>103,263</b>
<b>as of December 31, 2018</b>	<b>142,818</b>	<b>140,592</b>
<b>as of June 30, 2019</b>	<b>161,848</b>	<b>158,552</b>

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**15. Other assets**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Advances to suppliers	73,679	84,419	-	-
Sundry receivable	192,301	189,424	184,274	176,670
Prepaid expenses	43,148	33,222	38,284	29,069
Repossessed assets	10,173	10,918	9,745	9,521
Other assets	11,074	9,915	5,786	5,973
<b>Total</b>	<b>330,375</b>	<b>327,898</b>	<b>238,090</b>	<b>221,233</b>

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 184,065 (December 31, 2018: 165,891) and at Bank level is 173,559 (December 31, 2018: 155,095). In addition, sundry receivable include an amount of 43,108 (December 31, 2018: 43,108 ) paid to the fiscal authorities following a tax inspection carried out in 2016; the amount is under litigation with the authorities and the Bank estimates that is more likely than not that it will win the litigation.

As of June 30, 2019 the carrying value of repossessed assets for Group is 10,173 (December 31, 2018: 10,918). As of June 30, 2019 the carrying value of repossessed assets for Bank is 9,745 (December 31, 2018: 9,521), representing 6 residential buildings (December 31, 2018: three residential buildings).

**Group**

<b>Sundry receivables</b>	<b>Total (Stage3)</b>
	<hr/>
<b>Impairment allowance as at December 31, 2018</b>	165,891
Additional expenses	29,187
Reversals of provisions	(8,941)
Receivables written off	(2,291)
Foreign exchange adjustments	219
	<hr/>
<b>Impairment allowance as at 30 June 2019 unaudited (*)</b>	<b>184,065</b>
	<hr/> <hr/>
	<b>Total</b>
	<hr/>
<b>Impairment allowance as at 1 st January 2018</b>	124,714
Additional expenses	68,544
Reversals of provisions	(25,668)
Receivables written off	(1,688)
Foreign exchange adjustments	(11)
	<hr/>
<b>Impairment allowance as at 31 December 2018</b>	<b>165,891</b>
	<hr/>

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**15. Other assets (continued)**

**Bank**

	<b>Total (Stage3)</b>
<b>Sundry receivables</b>	
<b>Impairment allowance as at December 31, 2018</b>	155,095
Additional expenses	28,264
Reversals of provisions	(7,794)
Receivables written off	(2,291)
Foreign exchange adjustments	286
<b>Impairment allowance as at 30 June 2019</b>	<b>173,560</b>
	<b>Total</b>
<b>Impairment allowance as at 1 st January 2018</b>	111,666
Additional expenses	67,437
Reversals of provisions	(22,360)
Receivables written off	(1,688)
Foreign exchange adjustments	40
<b>Impairment allowance as at 31 December 2018</b>	<b>155,095</b>

**16. Due to banks**

	<b>Group</b>		<b>Bank</b>	
	<b>Unaudited (*)</b>			
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Demand deposits	448,923	227,819	448,923	227,819
Term deposits	71,555	69,998	71,555	69,998
<b>Due to banks</b>	<b>520,478</b>	<b>297,817</b>	<b>520,478</b>	<b>297,817</b>

**17. Due to customers**

	<b>Group</b>		<b>Bank</b>	
	<b>Unaudited (*)</b>			
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Demand deposits	31,182,872	29,856,889	31,217,626	29,940,061
Term deposits	14,203,823	15,360,106	14,219,079	15,375,495
<b>Due to customers</b>	<b>45,386,695</b>	<b>45,216,995</b>	<b>45,436,705</b>	<b>45,315,556</b>

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**18. Borrowed funds**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Borrowings from related parties	1,226,838	1,052,416	237	227
Borrowings from international financial institutions	218,894	254,140	12,910	16,273
Borrowings from other institutions	30	82	30	82
<b>Total</b>	<b>1,445,762</b>	<b>1,306,638</b>	<b>13,177</b>	<b>16,582</b>

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

**19. Taxation**

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As at June 30, 2019 the Group has a current tax liability in total amount of 83,777 (December 31, 2018: 2,305) and no current tax asset (December 31, 2018: 10,312).

The deferred tax liability/asset is reconciled as follows:

	Group			
	June 30, 2019 Unaudited (*)			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	27,630	(4,421)	-	-
Investments and other securities	105,952	(16,952)	(211)	(23,820)
Tangible and intangible assets	(97,991)	15,679	(4,924)	-
Provisions and other liabilities	(570,182)	91,225	1,006	-
<b>Total</b>	<b>(668,173)</b>	<b>106,904</b>	<b>(3,918)</b>	<b>-</b>
<b>Taxable items</b>	<b>(534,591)</b>			
<b>Deferred tax</b>		<b>85,531</b>	<b>(4,129)</b>	<b>(23,820)</b>
	Bank			
	June 30, 2019			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	27,630	(4,421)	-	-
Investments and other securities	112,879	(18,061)	-	(23,820)
Tangible and intangible assets	(97,991)	15,679	(4,901)	-
Provisions and other liabilities	(543,343)	86,935	1,461	-
<b>Taxable items</b>	<b>(500,824)</b>			
<b>Deferred tax</b>		<b>80,132</b>	<b>(3,440)</b>	<b>(23,820)</b>

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**19. Taxation (continued)**

	Group December 31, 2018				
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Impact IFRS 9
<i>Elements generating deferred tax</i>					
Defined benefit obligation	27,630	(4,421)	-	5,299	-
Investments and other securities	(44,241)	7,079	(351)	(13,745)	4,589
Tangible and intangible assets	(128,764)	20,602	2,308	-	0
Provisions and other liabilities	(563,876)	90,219	4,874	-	(17,967)
<b>Taxable items</b>	<b>(709,251)</b>				
<b>Deferred tax</b>		<b>113,480</b>	<b>6,831</b>	<b>(8,446)</b>	<b>(13,377)</b>

	Bank December 31, 2018				
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Impact IFRS 9
<i>Elements generating deferred tax</i>					
Defined benefit obligation	27,630	(4,421)	-	5,299	-
Investments and other securities	(35,994)	5,759	-	(13,746)	4,589
Tangible and intangible assets	(128,623)	20,580	2,151	-	-
Provisions and other liabilities	(534,212)	85,474	4,831	-	(22,111)
<b>Taxable items</b>	<b>(671,199)</b>				
<b>Deferred tax</b>		<b>107,392</b>	<b>6,982</b>	<b>(8,447)</b>	<b>(17,521)</b>

**Movement in deferred tax is as follows:**

	Group	Bank
<b>Deferred tax asset, net as of December 31, 2017</b>	<b>111,581</b>	<b>109,485</b>
Impact IFRS 9, recognized in OCI	(13,378)	(17,521)
Deferred tax recognized in other comprehensive income	8,446	8,446
Deferred tax recognized in profit and loss	6,831	6,982
<b>Deferred tax asset, net as of December 31, 2018</b>	<b>113,480</b>	<b>107,392</b>
Deferred tax recognized in other comprehensive income	(23,820)	(23,820)
Deferred tax recognized in profit and loss	(4,129)	(3,440)
<b>Deferred tax asset, net as of June 30, 2019</b>	<b>85,531</b>	<b>80,132</b>

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**19. Taxation (continued)**

**Reconciliation of total tax charge**

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended	Six months ended
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
<b>Profit before income tax</b>	<b>949,176</b>	<b>895,966</b>	<b>959,237</b>	<b>900,460</b>
Income tax (16%)	151,868	143,355	153,478	144,074
Fiscal credit	(13,027)	(10,178)	(12,623)	(10,043)
Non-deductible elements	33,782	20,783	24,166	11,441
Non-taxable elements	(10,351)	(14,548)	(8,444)	(11,731)
<b>Expense from income tax at effective tax rate</b>	<b>162,273</b>	<b>139,411</b>	<b>156,577</b>	<b>133,741</b>
Effective tax rate	17.1%	15.6%	16.3%	14.9%

Recognition of deferred tax asset is based on the management's profit forecasts, which indicates that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

At the Bank level, as at June 30, 2019, permanent non-deductible elements include the impact of provisions for overdue commissions 4,493 (June 30, 2018: 4,226), sponsorship expenses with an impact of 751 (June 30, 2018: 442), and debt sales and other operations with limited deductibility in amount of 10,692 (June 30, 2018: 4,065); permanent non-taxable elements are mainly a result of releases for provisions for overdue commissions in amount of 1,240 (June 30, 2018: 861), provisions for litigations 235 (June 30, 2018: 587), and dividends income with an impact of 6,536 (June 30, 2018: 8,320).

**20. Other liabilities**

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Sundry creditors	308,061	314,336	222,358	204,957
Other payables to State budget	29,521	45,206	28,036	43,736
Deferred income	25,016	18,383	25,015	18,380
Payables to employees	115,459	135,739	109,686	128,019
Financial guarantee and loan commitments provisions	347,118	344,669	360,728	358,583
Other provisions	40,726	38,793	39,400	37,254
Creditors - Lease liabilities	455,184	-	441,802	-
<b>Total</b>	<b>1,321,085</b>	<b>897,126</b>	<b>1,227,025</b>	<b>790,929</b>

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting 43,160 as of June 30, 2019 (December 31, 2018: 60,080) and post-employment benefits amounting 51,544 as of June 30, 2019 (December 31, 2018: 49,281).

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**20. Other liabilities (continued)**

The movement in other provisions is as follows:

<b>Group</b>	<b>TOTAL</b>
<b>Carrying value as of December 31,2017</b>	<b>79,469</b>
Additional expenses	5,003
Reversals of provisions	(27,293)
Usage	(18,387)
<b>Carrying value as of December 31,2018</b>	<b>38,792</b>
Additional expenses	5,677
Reversals of provisions	(1,137)
Usage	(2,606)
<b>Carrying value as of June 30, 2019</b>	<b>40,726</b>
<hr/>	
<b>Bank</b>	
<b>Carrying value as of December 31,2017</b>	<b>77,591</b>
Additional expenses	4,799
Reversals of provisions	(26,750)
Usage	(18,387)
<b>Carrying value as of December 31,2018</b>	<b>37,253</b>
Additional expenses	5,608
Reversals of provisions	(992)
Usage	(2,469)
<b>Carrying value as of June 30, 2019</b>	<b>39,400</b>

The movement in financial guarantee and loan commitments provisions is as follows:

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**20. Other liabilities (continued)**

**Financial guarantees and loan commitments provisions**

Group	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
<b>Provision as at 31 December 2018</b>	1,492	1,287	2,852	<b>5,632</b>
New commitments originated or purchased	1,600	179	-	<b>1,779</b>
Commitments derecognised or transferred into assets	(137)	(195)	(251)	<b>(583)</b>
Net provision movement not resulting from changes in classification	(1,194)	24	(81)	<b>(1,252)</b>
Movements due to change in classification	(23)	189	195	<b>361</b>
Other adjustments	4	3	10	<b>16</b>
<b>Provision as at 30 June 2019</b>	<b>1,743</b>	<b>1,486</b>	<b>2,725</b>	<b>5,954</b>
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
<b>Provision as at 31 December 2018</b>	39,148	112,777	187,112	<b>339,037</b>
New commitments originated or purchased	74	105	-	<b>179</b>
Commitments derecognised or transferred into assets	(12,199)	(8,748)	(7,084)	<b>(28,030)</b>
Net provision movement not resulting from changes in classification	(7,816)	13,387	10,252	<b>15,824</b>
Movements due to change in classification	(73)	4,644	6,687	<b>11,259</b>
Other adjustments	167	797	1,932	<b>2,896</b>
<b>Provision as at 30 June 2019</b>	<b>19,302</b>	<b>122,963</b>	<b>198,899</b>	<b>341,164</b>
	Total			Total
	Stage 1	Stage 2	Stage 3	
<b>Provision as at 31 December 2018</b>	40,640	114,064	189,964	<b>344,669</b>
New commitments originated or purchased	1,675	284	-	<b>1,958</b>
Commitments derecognised or transferred into assets	(12,335)	(8,943)	(7,335)	<b>(28,613)</b>
Net provision movement not resulting from changes in classification	(9,010)	13,411	10,171	<b>14,572</b>
Movements due to change in classification	(96)	4,833	6,882	<b>11,619</b>
Other adjustments	171	800	1,941	<b>2,912</b>
<b>Provision as at 30 June 2019</b>	<b>21,045</b>	<b>124,449</b>	<b>201,624</b>	<b>347,118</b>

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**20. Other liabilities (continued)**

**Financial guarantees and loan commitments provisions**

<b>Bank</b>	<b>Retail lending</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Provision as at 31 December 2018</b>	1,484	1,287	2,852	<b>5,624</b>
New commitments originated or purchased	1,591	179	-	<b>1,769</b>
Commitments derecognised or transferred into assets	(129)	(195)	(251)	<b>(575)</b>
Net provision movement not resulting from changes in classification	(1,194)	24	(81)	<b>(1,252)</b>
Movements due to change in classification	(23)	189	195	<b>361</b>
Other adjustments	4	3	10	<b>16</b>
<b>Provision as at 30 June 2019</b>	<b>1,733</b>	<b>1,486</b>	<b>2,725</b>	<b>5,943</b>
	<b>Non-Retail</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Provision as at 31 December 2018</b>	39,063	112,895	201,001	<b>352,959</b>
New commitments originated or purchased	1	4	-	<b>5</b>
Commitments derecognised or transferred into assets	(12,131)	(8,684)	(7,084)	<b>(27,899)</b>
Net provision movement not resulting from changes in classification	(7,814)	13,389	10,252	<b>15,828</b>
Movements due to change in classification	(73)	4,644	6,705	<b>11,277</b>
Other adjustments	166	742	1,706	<b>2,615</b>
<b>Provision as at 30 June 2019</b>	<b>19,213</b>	<b>122,990</b>	<b>212,581</b>	<b>354,784</b>
	<b>Total</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Provision as at 31 December 2018</b>	40,547	114,182	203,854	<b>358,583</b>
New commitments originated or purchased	1,591	182	-	<b>1,774</b>
Commitments derecognised or transferred into assets	(12,260)	(8,880)	(7,335)	<b>(28,474)</b>
Net provision movement not resulting from changes in classification	(9,008)	13,413	10,171	<b>14,576</b>
Movements due to change in classification	(96)	4,833	6,900	<b>11,637</b>
Other adjustments	171	745	1,716	<b>2,631</b>
<b>Provision as at 30 June 2019</b>	<b>20,946</b>	<b>124,476</b>	<b>215,306</b>	<b>360,728</b>

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**20. Other liabilities (continued)**

**Post-employment benefit plan**

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2019, the movements in service cost, benefits paid from defined benefit obligation and changes in financial assumptions resulted in a change of obligation carrying value: 51,544 as of June 30, 2019 and 49,281 as of December 31, 2018.

**21. Share capital**

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2018: 696,901). Included in the share capital there is an amount of 1,818,721 (2018: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of June 30, 2019 represents 696,901,518 (2018: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2018: RON 1). During 2019 and 2018, the Bank did not buy back any of its own shares.

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**22. Interest and similar income**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest on loans	911,788	820,379	838,528	754,155
Interest on deposit with banks	28,981	21,721	28,462	21,369
Interest on financial assets at FVOCI	196,236	168,150	196,236	168,150
Interest from hedging instruments	6,821	2,418	6,821	2,418
<b>Total</b>	<b>1,143,825</b>	<b>1,012,668</b>	<b>1,070,047</b>	<b>946,092</b>

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 46,803 for Group and 32,099 for Bank (2018: 95,950 for Group and 78,121 for Bank).

**23. Interest and similar expense**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest on term deposits	57,369	49,333	57,682	49,872
Interest on demand deposits	25,729	17,451	26,133	17,461
Interest on borrowings	15,983	8,392	2,954	183
<b>Total</b>	<b>99,081</b>	<b>75,176</b>	<b>86,769</b>	<b>67,516</b>

**24. Fees and commissions, net**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Services	324,760	317,043	318,942	312,130
Management fees	56,390	57,148	56,390	57,148
Packages	25,279	24,940	25,279	24,940
Transfers	53,821	53,829	53,821	53,829
OTC withdrawal	33,915	31,020	33,915	31,020
Cards	106,197	100,559	106,197	100,559
Brokerage and custody	15,185	17,117	15,185	17,117
Other	33,973	32,430	28,154	27,516
Loan activity	46,606	47,673	33,699	34,886
Off balance sheet	15,315	14,557	15,315	14,557
<b>Total</b>	<b>386,681</b>	<b>379,273</b>	<b>367,955</b>	<b>361,572</b>

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**25. Gain on derivative and other financial instruments held for trading and foreign exchange**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
FX position revaluation	(6,691)	(18,001)	(6,691)	(18,001)
FX Spot	90,460	101,187	90,711	100,712
Gain on instruments held for trading	26,804	8,695	26,803	8,694
Derivative financial instruments	41,531	48,465	41,530	48,464
Gain / (loss) on interest rate derivatives	18,645	5,481	18,644	5,480
Gain / (loss) on currency and interest swap	23,562	13,308	23,562	13,308
Gain / (loss) on forward foreign exchange contracts	(4,189)	27,648	(4,189)	27,648
Gain on currency options	4,246	1,857	4,246	1,857
Gain / (loss) on hedging	(376)	(590)	(376)	(590)
Other	(357)	761	(357)	761
<b>Gain / (loss) on derivative, other financial instruments held for trading and foreign exchange</b>	<b>152,104</b>	<b>140,346</b>	<b>152,353</b>	<b>139,869</b>

**26. Other income**

For the Bank, other income includes dividends from subsidiaries in amount of 30,806 as of June 30, 2019 (June 30, 2018: 32,913), income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 836 (2018: 917).

**27. Contribution to Guarantee Scheme and Resolution Fund**

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”).

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year 2019 the expense related to the Deposit Guarantee Fund amounts to 46,930 (2018: 14,487).

According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

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**27. Contribution to Guarantee Scheme and Resolution Fund (continued)**

The National Bank of Romania as the local resolution authority establish the credit institutions annual contributions to Bank Resolution Fund, in compliance with Commission Delegated Regulation EU 2015/63, supplementing Directive 2014/59 of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

For the year 2019 the expense related to the Bank Resolution Fund was 25,348 (2018: 20,694).

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 “Levies” requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full on 1<sup>st</sup> of January of the year in which the payment is made.

**28. Personnel expenses**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Salaries	353,890	336,582	331,049	315,529
Social security	8,690	8,656	7,769	7,809
Bonuses	28,358	26,163	27,292	24,963
Post-employment benefits	2,431	2,153	2,431	2,153
Other	9,982	4,335	8,282	2,857
<b>Total</b>	<b>403,351</b>	<b>377,888</b>	<b>376,823</b>	<b>353,312</b>

In 2019, the expense related to the Bank defined benefit plan contribution was 1,301 (June 30, 2018: 1,496).

**29. Depreciation, amortisation and impairment on tangible and intangible assets**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Depreciation and impairment	94,042	47,920	90,994	47,406
Amortisation	18,111	18,530	17,540	17,551
<b>Total</b>	<b>112,153</b>	<b>66,450</b>	<b>108,534</b>	<b>64,957</b>

The difference as at June 30, 2019 between the amount presented in note 12 and the amount presented in note 29 represents depreciation of investment property in total amount of 727 (June 30, 2018: 693).

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**30. Other operating expense**

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended June 30, 2019	Six months ended June 30, 2018
	Six months ended June 30, 2019	Six months ended June 30, 2018		
Administrative expenses	173,994	207,639	163,612	194,748
Publicity and sponsorships	15,028	16,496	14,662	16,170
Other expenses	26,981	34,790	24,313	32,504
<b>Total</b>	<b>216,003</b>	<b>258,925</b>	<b>202,587</b>	<b>243,422</b>

**31. Cost of risk**

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended June 30, 2019	Six months ended June 30, 2018
	Six months ended June 30, 2019	Six months ended June 30, 2018		
Net impairment allowance for loans	(90,171)	(62,096)	(88,239)	(72,333)
Net impairment allowance for sundry debtors	20,246	20,773	20,470	21,224
Net impairment allowance for finance lease	19	(2,785)	-	-
Income from recoveries of derecognized receivables	(100,730)	(119,544)	(100,730)	(119,544)
Write-offs & sales of bad debts	27,491	4,026	15,908	5,852
Financial guarantee and loan contracts provisions	(463)	7,164	(487)	7,222
Net impairment allowance for debt securities	(710)	(1,921)	(710)	(1,921)
<b>Total</b>	<b>(144,317)</b>	<b>(154,384)</b>	<b>(153,787)</b>	<b>(159,501)</b>

The net cost of risk registered a release of 144 million (for the Group) and 154 million (for the Bank) mainly due to strong recovery performance and limited new defaults.

**32. Cash and cash equivalents details**

*Cash and cash equivalents:*

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 167,622 (December 31, 2018: 105,461) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 57,076 (December 31, 2018: 54,975) for the Bank and also the ones amounting 74,545 (December 31, 2018: 73,398) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	Unaudited (*)	December 31, 2018	June 30, 2019	December 31, 2018
	June 30, 2019			
Cash in hand	1,673,269	2,236,045	1,673,263	2,236,018
Current accounts and deposits with banks	3,150,457	3,137,485	3,150,455	3,137,479
<b>Total</b>	<b>4,823,726</b>	<b>5,373,530</b>	<b>4,823,718</b>	<b>5,373,497</b>

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**32. Cash and cash equivalents details (continued)**

*Impairment and provisions adjustment for non-cash items:*

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net impairment allowance for loans	(90,171)	(62,096)	(88,239)	(72,333)
Net impairment allowance for sundry debtors	20,246	20,773	20,470	21,224
Net impairment allowance for financial leases	19	(2,785)	-	-
Write-offs & sales of bad debts	56,872	13,952	41,288	15,778
Financial guarantee contracts	(463)	7,164	(487)	7,222
Net movement in other provisions	1,934	(6,231)	2,147	(6,408)
Net impairment allowance for debt securities	(710)	(1,921)	(710)	(1,921)
<b>Total</b>	<b>(12,272)</b>	<b>(31,145)</b>	<b>(25,530)</b>	<b>(36,439)</b>

**33. Guarantees and other credit commitments**

**Guarantees and letters of credit**

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans once they are executed.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

**Credit related commitments**

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Letters of guarantee granted	5,295,321	5,308,124	5,309,147	5,323,714
Financing commitments granted	4,174,636	3,693,281	3,724,197	3,267,552
<b>Total commitments granted</b>	<b>9,469,956</b>	<b>9,001,404</b>	<b>9,033,344</b>	<b>8,591,265</b>
Letters of guarantee received	13,425,229	13,656,401	13,425,229	13,656,401
Financing commitments received	710,265	699,585	710,265	699,585
<b>Total commitments received</b>	<b>14,135,494</b>	<b>14,355,986</b>	<b>14,135,494</b>	<b>14,355,986</b>

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**34. Other commitments**

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Tangible non-current assets	4,059	3,221	4,059	3,221
Intangible non-current assets	54,831	26,809	54,831	26,809
Operational leasing, rents and other services	7,662	529,175	7,662	529,175
<b>Total</b>	<b>66,552</b>	<b>559,205</b>	<b>66,552</b>	<b>559,205</b>

The operational leasing, rents and other services commitments evolution versus prior period is the effect IFRS 16 adoption (please see Note 12 and Note 20).

As at June 30, 2019 and December 31, 2018 the future minimum lease payments regarding operating leases and rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Less than one year	3,588	94,932	3,588	94,932
Between one and five years	1,840	320,752	1,840	320,752
More than five years	2	111,331	2	111,331
<b>Total</b>	<b>5,430</b>	<b>527,015</b>	<b>5,430</b>	<b>527,015</b>

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**35. Related parties**

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	Parent	2019 Unaudited (*) Other related parties	Associates	Key management of the institution	Parent	2018 Other related parties	Associates	Key management of the institution
<b>Assets</b>	<b>213,045</b>	<b>54,830</b>	<b>14,510</b>	<b>1,929</b>	<b>195,897</b>	<b>44,267</b>	<b>8,420</b>	<b>1,823</b>
Nostro accounts	40,298	27,915	2,804	-	12,760	33,110	218	-
Deposits	17,470	21,153	-	-	18,423	-	-	-
Loans	57,076	5,586	9,007	1,929	54,975	11,037	3,872	1,823
Derivative financial instruments	94,555	-	-	-	103,509	-	-	-
Other assets	3,646	175	2,699	0	6,229	120	4,330	-
<b>Liabilities</b>	<b>1,457,700</b>	<b>122,871</b>	<b>146,952</b>	<b>8,894</b>	<b>1,276,459</b>	<b>28,622</b>	<b>144,816</b>	<b>11,749</b>
Loro accounts	42	69,612	2,428	-	41	15,439	1,477	-
Deposits	114,538	52,892	133,647	8,894	111,967	12,770	142,740	11,749
Borrowings	1,226,787	-	-	-	1,052,415	-	-	-
Derivative financial instruments	55,943	-	-	-	65,192	-	-	-
Other liabilities	60,390	367	10,877	-	46,845	412	599	-
<b>Commitments</b>	<b>9,888,204</b>	<b>50,288</b>	<b>4,622</b>	<b>85</b>	<b>9,283,406</b>	<b>57,632</b>	<b>14,701</b>	<b>273</b>
Total commitments granted	100,128	6,352	2,017	85	123,114	7,516	2,012	273
Total commitments received	952,847	43,936	2,604	-	979,957	50,117	12,688	-
Notional amount of foreign exchange transactions	5,456,576	-	-	-	4,007,994	-	-	-
Notional amount of interest rate derivatives	3,378,653	-	-	-	4,172,342	-	-	-
<b>Income statement</b>	<b>(25,812)</b>	<b>(729)</b>	<b>14,331</b>	<b>10</b>	<b>(52,165)</b>	<b>(1,494)</b>	<b>15,155</b>	<b>21</b>
Interest and commission revenues	9,294	1,237	6,317	25	5,709	1,362	6,642	38
Interest and commission expense	(13,592)	(415)	(555)	(14)	(9,864)	(1,124)	(241)	(17)
Net gain/(loss) on interest rate derivatives	19,755	-	-	(1)	(26,444)	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	31,072	-	-	-	34,844	(40)	-	-
Dividend income	-	-	9,146	-	-	-	17,984	-
Other income	827	278	4,778	-	741	109	3,712	-
Other expenses	(73,168)	(1,829)	(5,354)	-	(57,150)	(1,801)	(12,942)	-

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**35. Related parties (continued)**

	2019					2018				
	Bank				Key management of the institution	Bank				Key management of the institution
	Parent	Other related parties	Subsidiaries	Associates		Parent	Other related parties	Subsidiaries	Associates	
<b>Assets</b>	<b>195,575</b>	<b>54,830</b>	<b>40,899</b>	<b>13,088</b>	<b>1,929</b>	<b>177,474</b>	<b>44,267</b>	<b>42,979</b>	<b>4,291</b>	<b>1,823</b>
Nostro accounts	40,298	27,915	-	2,804	-	12,760	33,110	-	218	-
Deposits	-	21,153	-	-	-	-	-	-	-	-
Loans	57,076	5,586	39,627	9,007	1,929	54,975	11,037	41,518	3,872	1,823
Derivative financial instruments	94,555	-	65	-	-	103,509	-	56	-	-
Other assets	3,646	175	1,207	1,277	0	6,229	120	1,405	201	-
<b>Liabilities</b>	<b>229,832</b>	<b>122,866</b>	<b>49,120</b>	<b>145,795</b>	<b>8,894</b>	<b>222,853</b>	<b>28,622</b>	<b>98,806</b>	<b>144,801</b>	<b>11,749</b>
Loro accounts	42	69,612	-	2,428	-	41	15,439	-	1,477	-
Deposits	114,538	52,892	48,890	133,647	8,894	111,967	12,770	98,569	142,740	11,749
Lease payable	-	-	231	-	-	-	-	227	-	-
Derivative financial instruments	55,943	-	-	-	-	65,192	-	-	-	-
Other liabilities	59,310	363	-	9,719	-	45,653	412	10	584	-
<b>Commitments</b>	<b>9,888,204</b>	<b>50,288</b>	<b>68,152</b>	<b>4,622</b>	<b>85</b>	<b>9,283,407</b>	<b>57,632</b>	<b>64,067</b>	<b>14,700</b>	<b>273</b>
Total commitments granted	100,128	6,352	30,272	2,017	85	123,114	7,516	40,747	2,012	273
Total commitments received	952,847	43,936	-	2,604	-	979,957	50,117	-	12,688	-
Notional amount of foreign exchange transactions	5,456,576	-	37,881	-	-	4,007,994	-	23,320	-	-
Notional amount of interest rate derivatives	3,378,653	-	-	-	-	4,172,342	-	-	-	-
<b>Income statement</b>	<b>(14,471)</b>	<b>(1,175)</b>	<b>38,227</b>	<b>9,115</b>	<b>10</b>	<b>(44,529)</b>	<b>(1,880)</b>	<b>46,106</b>	<b>9,625</b>	<b>19</b>
Interest and commission revenues	8,951	674	6,432	284	25	5,357	879	12,998	162	33
Interest and commission expense	(2,259)	(415)	(717)	(555)	(14)	(2,280)	(1,124)	(718)	(241)	(13)
Net gain/(loss) on interest rate derivatives	19,755	-	-	-	(1)	(26,444)	-	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	31,072	-	163	-	-	34,844	(40)	(1)	-	-
Dividend income	-	-	30,806	9,146	-	-	-	32,913	17,984	-
Other income	827	278	1,659	4,741	-	741	109	1,095	3,670	-
Other expenses	(72,816)	(1,711)	(116)	(4,501)	-	(56,746)	(1,704)	(181)	(11,950)	-

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**35. Related parties (continued)**

Other liabilities, and other expenses include mainly corporate and technical assistance with Societe Generale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 51,446 at June 30, 2019 (December 31, 2018: 53,786).

As of June 30, 2019 the Board of Directors and Managing Committee members own 301,030 shares (2018: 304,530).

Key management personnel benefits for 2019 and 2018:

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Short-term benefits	7,817	6,730	6,104	4,631
Long-term benefits	2,408	1,900	2,336	1,717

**36. Contingencies**

As of June 30, 2019 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 897,842 (December 31, 2018: 841,501). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 8,062 (December 31, 2018: 7,536) and the Group 9,388 (December 31, 2018: 9,075) in relation with the litigations.

The Bank assessed that the probability for an inflow from insurance indemnities is not virtually certain and therefore a contingent asset amounting to RON 161 million (EUR 34 million) was presented as at June 30<sup>th</sup>, 2019.

**37. Earnings per share**

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of June 30, 2019 and June 30, 2018 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Earnings per share (in RON)	1.1233	1.0792	1.1518	1.1002

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### **38. Fair value**

#### **Determination of fair value and fair value hierarchy**

To determine and disclose the fair value hierarchy of the financial instruments, the Group follows the three-level classification of the inputs to valuation techniques used to measure fair value:

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;

Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc);

- **Level 2: other inputs** than those quoted prices included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 2 instruments include in particular securities that cannot directly be quoted on the market (e.g. corporate bonds) and firm derivatives, with standard features and common maturities, whose value can be retrieved or derived from market data;

- **Level 3:** inputs that are not based on observable market data (**unobservable inputs**).

Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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**38. Fair value (continued)**

	Group				Bank			
	June 30, 2019 Unaudited (*)				June 30, 2019			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Derivative financial instruments								
Interest rate swaps	-	94,011	-	94,011	-	94,011	-	94,011
Currency swaps	-	19,475	-	19,475	-	19,475	-	19,475
Forward foreign exchange contracts	-	8,809	-	8,809	-	8,874	-	8,874
Options	-	-	30,987	30,987	-	-	30,987	30,987
	-	122,295	30,987	153,282	-	122,360	30,987	153,347
Financial assets at fair value through other comprehensive income	11,381,244	-	-	11,381,244	11,381,244	-	-	11,381,244
Equity investments (listed)	2,535	-	-	2,535	2,535	-	-	2,535
Equity investments (not listed)	-	-	59,433	59,433	-	-	59,433	59,433
Other securities quoted	37,526	-	-	37,526	17,333	-	-	17,333
<b>Total</b>	<b>11,421,305</b>	<b>-</b>	<b>59,433</b>	<b>11,480,738</b>	<b>11,401,112</b>	<b>-</b>	<b>59,433</b>	<b>11,460,545</b>
Other financial instruments held for trading	2,647,704	-	-	2,647,704	2,647,704	-	-	2,647,704
<b>Total</b>	<b>14,069,009</b>	<b>122,295</b>	<b>90,420</b>	<b>14,281,723</b>	<b>14,048,816</b>	<b>122,360</b>	<b>90,420</b>	<b>14,261,596</b>
<b><u>Assets for which fair value is disclosed</u></b>								
Cash in hand	1,673,269	-	-	1,673,269	1,673,263	-	-	1,673,263
Due from Central Bank	4,739,332	-	-	4,739,332	4,739,332	-	-	4,739,332
Due from banks	3,392,624	-	-	3,392,624	3,375,153	-	-	3,375,153
Loans and advances to customers	-	-	29,161,457	29,161,457	-	-	29,160,786	29,160,786
Financial lease receivables	-	-	877,534	877,534	-	-	-	-
<b>Total</b>	<b>9,805,225</b>	<b>-</b>	<b>30,038,991</b>	<b>39,844,216</b>	<b>9,787,748</b>	<b>-</b>	<b>29,160,786</b>	<b>38,948,534</b>

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**38. Fair value (continued)**

	Group				Bank			
	June 30, 2019 Unaudited (*)				June 30, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b><u>Liabilities measured at fair value</u></b>								
<b>Financial liabilities</b>								
Derivative financial instruments								
Interest rate swaps	-	32,487	-	32,487	-	32,487	-	32,487
Currency swaps	-	5,471	-	5,471	-	5,471	-	5,471
Forward foreign exchange contracts	-	19,726	-	19,726	-	19,726	-	19,726
Options	-	-	31,281	31,281	-	-	31,281	31,281
<b>Total</b>	<b>-</b>	<b>57,684</b>	<b>31,281</b>	<b>88,965</b>	<b>-</b>	<b>57,684</b>	<b>31,281</b>	<b>88,965</b>
Other financial instruments held for trading	476,959	-	-	476,959	476,959	-	-	476,959
<b>Total</b>	<b>476,959</b>	<b>57,684</b>	<b>31,281</b>	<b>565,924</b>	<b>476,959</b>	<b>57,684</b>	<b>31,281</b>	<b>565,924</b>
<b><u>Liabilities for which fair value is disclosed</u></b>								
Due to banks	520,478	-	-	520,478	520,478	-	-	520,478
Due to customers	-	45,380,247	-	45,380,247	-	45,429,962	-	45,429,962
Borrowed funds	-	1,445,762	-	1,445,762	-	13,177	-	13,177
<b>Total</b>	<b>520,478</b>	<b>46,826,009</b>	<b>-</b>	<b>47,346,487</b>	<b>520,478</b>	<b>45,443,139</b>	<b>-</b>	<b>45,963,617</b>

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**38. Fair value (continued)**

	Group				Bank			
	December 31, 2018				December 31, 2018			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Derivative financial instruments								
Interest rate swaps	-	94,603	-	94,603	-	94,603	-	94,603
Currency swaps	-	13,008	-	13,008	-	13,008	-	13,008
Forward foreign exchange contracts	-	2,772	-	2,772	-	2,829	-	2,829
Options	-	-	45,877	45,877	-	-	45,877	45,877
	<b>-</b>	<b>110,383</b>	<b>45,877</b>	<b>156,260</b>	<b>-</b>	<b>110,439</b>	<b>45,877</b>	<b>156,316</b>
Financial assets at fair value through other comprehensive income	12,059,561	-	-	12,059,561	12,059,561	-	-	12,059,561
Equity investments (listed)	2,387	-	-	2,387	2,387	-	-	2,387
Equity investments (not listed)	-	-	44,976	44,976	-	-	44,976	44,976
Other securities quoted	35,113	-	-	35,113	15,235	-	-	15,235
<b>Total</b>	<b>12,097,061</b>	<b>-</b>	<b>44,976</b>	<b>12,142,037</b>	<b>12,077,183</b>	<b>-</b>	<b>44,976</b>	<b>12,122,159</b>
Other financial instruments held for trading	2,096,203	-	-	2,096,203	2,096,203	-	-	2,096,203
<b>Total</b>	<b>14,193,264</b>	<b>110,383</b>	<b>90,853</b>	<b>14,394,500</b>	<b>14,173,386</b>	<b>110,439</b>	<b>90,853</b>	<b>14,374,678</b>
<b>Assets for which fair value is disclosed</b>								
Cash in hand	2,236,045	-	-	2,236,045	2,236,018	-	-	2,236,018
Due from Central Bank	3,785,491	-	-	3,785,491	3,785,491	-	-	3,785,491
Due from banks	3,316,344	-	-	3,316,344	3,297,915	-	-	3,297,915
Loans and advances to customers	-	-	29,073,626	29,073,626	-	-	29,073,003	29,073,003
Financial lease receivables	-	-	760,754	760,754	-	-	-	-
<b>Total</b>	<b>9,337,880</b>	<b>-</b>	<b>29,834,380</b>	<b>39,172,260</b>	<b>9,319,424</b>	<b>-</b>	<b>29,073,003</b>	<b>38,392,427</b>

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**38. Fair value (continued)**

	Group				Bank			
	December 31, 2018				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b><u>Liabilities measured at fair value</u></b>								
<b>Financial liabilities</b>								
Derivative financial instruments								
Interest rate swaps	-	39,294	-	39,294	-	39,294	-	39,294
Currency swaps	-	5,315	-	5,315	-	5,315	-	5,315
Forward foreign exchange contracts	-	13,246	-	13,246	-	13,246	-	13,246
Options	-	-	47,106	47,106	-	-	47,106	47,106
<b>Total</b>	<b>-</b>	<b>57,854</b>	<b>47,106</b>	<b>104,960</b>	<b>-</b>	<b>57,854</b>	<b>47,106</b>	<b>104,960</b>
Other financial instruments held for trading	236,101	-	-	236,101	236,101	-	-	236,101
<b>Total</b>	<b>236,101</b>	<b>57,854</b>	<b>47,106</b>	<b>341,061</b>	<b>236,101</b>	<b>57,854</b>	<b>47,106</b>	<b>341,061</b>
<b><u>Liabilities for which fair value is disclosed</u></b>								
Due to banks	297,817	-	-	297,817	297,817	-	-	297,817
Due to customers	-	45,220,593	-	45,220,593	-	45,319,161	-	45,319,161
Borrowed funds	-	1,306,638	-	1,306,638	-	16,582	-	16,582
<b>Total</b>	<b>297,817</b>	<b>46,527,231</b>	<b>-</b>	<b>46,825,048</b>	<b>297,817</b>	<b>45,335,743</b>	<b>-</b>	<b>45,633,560</b>

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### **38. Fair value (continued)**

#### **Financial instruments measured at fair value**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

*Treasury notes* are represented by treasury bills and bonds, and are classified as financial assets at fair value through other comprehensive income or financial instruments held for trading measured at fair value through profit and loss, being measured using a valuation technique based on market quotes published by Bloomberg or by Reuters (market approach).

#### *Derivatives*

The fair value of the derivatives is determined using valuation techniques commonly known on the market, such as discounted cash flows for swaps or Black-Sholes formula for options.

**Firm derivatives** – interest rate swaps, currency swaps and forward foreign exchange contracts, are the main derivative products measured using as valuation technique the income approach (discounting cash flows) and incorporating observable inputs from market (foreign exchange spot rate, forward rates, interest rate rates, futures), both directly observable ones (explicit parameters) and indirectly observable ones.

The directly observable parameters are variables that come directly from the market and are presumed to be easily available, accessible to each market participant. The main explicit parameters used in valuation of firm financial instruments are interbank fixing FX rates published by NBR, interbank swap points, interbank bid/ask interest rates, futures quotes on EUR and USD. Implicit parameters are variables obtained through standard intermediary calculation, using market prices for relevant financial instruments. The yield curves designated at the level of each product and currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implicit parameters used in computing the fair value such as Zero-coupons, Discount Factors and Forward Interest Rates.

**Conditional derivatives** - FX options, interest rate options and equity options, are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates) and the future values presumed to be attained by the underlying (forward exchange rates, FRAs etc), integrating in the calculation the standard option-sensitivities (delta, gamma, vega, theta), along with information regarding the size of the positions and the liquidity of the instrument. The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, serving as direct input in the daily final formula or further used for the statistical calculation implied by the valuation process.

BRD manages the group of these financial assets and liabilities (options) on the basis of the entity's net exposure to a particular market risk (foreign exchange, interest rate, price risk) and, according to the trading book policy in place, BRD assumes no residual market risk induced by option-trading. Any bought option is perfectly matched on the same day with a sold option, identical in terms of option type, underlying, exercise prices, maturity. The perfect back-to-back system is subject to daily controls performed at back-office level, to ensure that no mismatch occurred and there is no residual open position on options. Therefore, the impact of a specific change on the estimated value on one non-observable parameter used on the valuation of an option classified/ accounted as financial asset is offset by same specific change on estimated value of the same non-observable parameter on the valuation of the mirror-replicated option classified/ accounted as financial liability.

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**38. Fair value (continued)**

*Equities*

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

In the case of Visa share, following the acquisition of VISA Europe by VISA Inc, transaction which was closed in June 2016, the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc.).

**Fair value of financial assets and liabilities not carried at fair value**

*Financial assets*

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short-term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and similar time horizons.

*Financial liabilities*

The amortized cost of deposits from banks is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and customers and with similar time horizons.

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**38. Fair value (continued)**

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	June 30, 2019 Unaudited (*)		December 31, 2018		June 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>								
Cash in hand	1,673,269	1,673,269	2,236,045	<b>2,236,045</b>	1,673,263	1,673,263	2,236,018	<b>2,236,018</b>
Due from Central Bank	4,739,332	4,739,332	3,785,491	<b>3,785,491</b>	4,739,332	4,739,332	3,785,491	<b>3,785,491</b>
Due from banks	3,392,624	3,392,624	3,316,344	<b>3,316,344</b>	3,375,153	3,375,153	3,297,915	<b>3,297,915</b>
Loans and advances to customers	29,761,832	29,161,457	29,603,276	<b>29,073,626</b>	29,001,949	29,160,786	28,893,343	<b>29,073,003</b>
Financial lease receivables	877,284	877,534	761,012	<b>760,754</b>	-	-	-	-
	<b>40,444,341</b>	<b>39,844,216</b>	<b>39,702,168</b>	<b>39,172,260</b>	<b>38,789,697</b>	<b>38,948,534</b>	<b>38,212,767</b>	<b>38,392,427</b>
<b>Financial liabilities</b>								
Due to banks	520,478	520,478	297,817	<b>297,817</b>	520,478	520,478	297,817	<b>297,817</b>
Due to customers	45,386,983	45,380,247	45,216,995	<b>45,220,593</b>	45,436,705	45,429,962	45,315,556	<b>45,319,161</b>
Borrowed funds	1,445,762	1,445,762	1,306,638	<b>1,306,638</b>	13,177	13,177	16,582	<b>16,582</b>
	<b>47,353,223</b>	<b>47,346,487</b>	<b>46,821,450</b>	<b>46,825,048</b>	<b>45,970,360</b>	<b>45,963,617</b>	<b>45,629,955</b>	<b>45,633,560</b>

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**38. Fair value (continued)**

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred the date of the event or change in circumstances that caused the transfer, but not later than the end of the reporting period.

**Movement in level 3:**

Fair value of equity investments not listed is estimated based on net assets of the investments.

	Equity investments (not listed)	Options (A)	Options (L)
<b>Closing balance as at December 31, 2017</b>	<b>32,322</b>	<b>46,190</b>	<b>46,267</b>
Acquisitions	-	25,061	25,061
Sales	(131)	(1,143)	(1,143)
Reimbursements	-	(24,903)	(24,904)
Gain losses from change in fair value	11,986	672	1,825
Reclassification	799	-	-
<b>Closing balance as at December 31, 2018</b>	<b>44,976</b>	<b>45,877</b>	<b>47,106</b>
Acquisitions	-	8,233	8,233
Sales	(2)	(31)	(31)
Reimbursements	-	(4,071)	(4,071)
Gain losses from change in fair value	14,079	(19,021)	(19,957)
Translation differences	380	-	-
<b>Closing balance as at June 30, 2019</b>	<b>59,433</b>	<b>30,987</b>	<b>31,281</b>

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**39. Subsequent events**

BRD sold its equity stake of 2,000,001 shares in Mobiasbanca – Groupe Societe Generale SA for a price per share of 152,57 MDL. The transaction has been registered at Moldavian Stock Exchange on July 22nd, 2019.

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